

# Audit



# Report

OFFICE OF THE INSPECTOR GENERAL

**DOD BASE REALIGNMENT AND CLOSURES**

REPORT NO. 92-078

April 17, 1992

**DISTRIBUTION STATEMENT A**  
Approved for Public Release  
Distribution Unlimited

20000612 051

**Department of Defense**

The following acronyms are used in this report.

AAA.....	Army Audit Agency
AAFES.....	Army and Air Force Exchange Service
AFAA.....	Air Force Audit Agency
AFB.....	Air Force Base
AFM 86-2.....	Air Force Manual (Standard Facility Requirements)
DeCA.....	Defense Commissary Agency
DLA.....	Defense Logistics Agency
GAO.....	General Accounting Office
MDW.....	U.S. Army Military District of Washington
NAVFAC.....	Naval Facilities Engineering Command
NAVFAC P-80.....	Facility Planning Criteria for Navy and Marine Corps Shore Installations
O&M.....	Operation and Maintenance



**INSPECTOR GENERAL**  
**DEPARTMENT OF DEFENSE**  
**400 ARMY NAVY DRIVE**  
**ARLINGTON, VIRGINIA 22202-2884**



April 17, 1992

MEMORANDUM FOR ASSISTANT SECRETARY OF DEFENSE (PRODUCTION AND LOGISTICS)  
COMPTROLLER OF THE DEPARTMENT OF DEFENSE  
ASSISTANT SECRETARY OF THE ARMY (FINANCIAL MANAGEMENT)  
ASSISTANT SECRETARY OF THE NAVY (FINANCIAL MANAGEMENT)  
ASSISTANT SECRETARY OF THE AIR FORCE (FINANCIAL MANAGEMENT AND COMPTROLLER)  
DIRECTOR, DEFENSE LOGISTICS AGENCY

SUBJECT: Audit Report on DoD Base Realignment and Closures  
(Report No. 92-078)

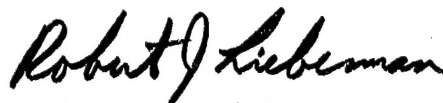
We are providing this final report for your information and use. Management comments on a draft of this report were considered in preparing the final report.

DoD Directive 7650.3 requires that all audit recommendations be resolved promptly. Therefore, we request that the Assistant Secretary of Defense (Production and Logistics), the Comptroller of the Department of Defense, the Assistant Secretary of the Navy, and the Assistant Secretary of the Air Force provide final comments on the unresolved recommendations and potential benefits by June 17, 1992. See the "Status of Recommendations" section at the end of each finding for the unresolved recommendations and the specific requirements for your comments.

DoD Directive 7650.3 also requires that comments indicate concurrence or nonconcurrence in the finding and each recommendation addressed to you. If you concur, describe the corrective actions taken or planned, the completion dates for actions already taken, and the estimated dates for completion of planned actions. If you nonconcur, you must state your specific reasons for each nonconcurrence. If appropriate, you may propose alternative methods for accomplishing desired improvements.

If you nonconcur with the estimated monetary benefits (Appendix G) or any part thereof, you must state the amount you nonconcur with and the basis for your nonconcurrence. Recommendations and potential monetary benefits are subject to resolution in accordance with the DoD Directive 7650.3 in the event of nonconcurrence or failure to comment. We also ask that your comments indicate concurrence or nonconcurrence with the internal control weaknesses highlighted in Part I.

The cooperation and courtesies extended to the audit staff are appreciated. If you desire to discuss this final report, please contact Mr. Wayne K. Million, Program Director, at (703) 614-6281 (DSN 224-6281). Copies of this report will be distributed to the activities listed in Appendix I.



Robert J. Lieberman  
Assistant Inspector General  
for Auditing

Enclosure

cc:

Secretary of the Army

Secretary of the Navy

Secretary of the Air Force

Commander, Military District of Washington, U.S. Army

Commander, Naval Station Puget Sound (Sand Point)

Commander, Army and Air Force Exchange Service

Director, Defense Commissary Agency



Office of the Inspector General, DoD

AUDIT REPORT NO. 92-078  
(Project No. OCG-0031)

April 17, 1992

DOD BASE REALIGNMENT AND CLOSURES

EXECUTIVE SUMMARY

**Introduction.** Congress established a Base Closure Account to implement the 1988 Commission on Base Realignment and Closure recommendations. The Base Closure Account is to be used for one-time implementation costs of constructing new facilities at realigning installations. This report summarizes our review of realignment actions in the Navy and Air Force. Army activities were not included in this review because of other recent audit coverage.

**Objectives.** We performed the audit to evaluate the efficiency and effectiveness of DoD plans to implement the Commission's recommendations; evaluate whether the need for construction requirements was adequately supported; and determine the extent and need for improvements to real property facilities at installations scheduled for closure.

**Audit Results.** The audit showed that 71 construction projects valued at \$303.5 million and 224 facility improvement projects valued at \$18.5 million were adequately supported. However, the Navy and Air Force had developed realignment construction requirements for 33 projects with \$127.1 million of estimated costs of which \$72 million were not supported and should not be funded from the Base Closure Account (Finding A). In addition, three closing installations had completed 13 projects costing \$500,000 and had plans for 77 additional unessential facility improvement projects costing \$9.1 million (Finding B).

**Internal Controls.** The audit identified internal control weaknesses. Construction requirements were developed that were not fully related to realignment actions and unessential improvements were accomplished at installations being closed. See Part I, page 3 and Findings A and B in Part II for details on our review of internal controls.

**Potential Benefits of Audit.** A revision of construction requirements to comply with base closure and realignment criteria will result in potential monetary benefits of \$18.9 million. The cancellation of unneeded facility improvement projects at installations pending base closure will result in potential monetary benefits totaling about \$9.1 million (Appendixes F and G).

**Summary of Recommendations.** We recommended issuing additional guidance for realignment actions and canceling selected projects or reducing their scope.

**Management Comments.** The Principal Deputy Assistant Secretary of Defense (Production and Logistics) partially concurred with the recommendation to independently validate construction requirements. However, the Principal Deputy nonconcurred with recommendations to issue procedures and guidance related to the calculation of base realignment requirements and did not respond to the recommendation on issuing additional guidance for performing only essential maintenance and repair at closing installations. The Director for Construction, Office of the Comptroller of the Department of Defense, concurred with the recommendation to reduce the base realignment funds related to construction projects. However, the Director did not provide complete comments on recommendations to provide input on the development of guidelines for facility improvements at closing installations or to review funding requests for facility improvements at closing installations.

The Navy agreed to cancel or reduce the scope of selected construction and facility improvement projects and to provide additional guidance related to construction projects at realigning bases. The Air Force partially concurred with the recommendation to update facility requirements criteria, nonconcurred with the recommendation to reevaluate and reduce the scope of facility requirements, and did not comment on the recommendation to require the maximum use of existing facilities. The Air Force, the Defense Logistics Agency, and the Military District of Washington agreed to cancel, or reduce in scope, selected construction and facility improvement projects. The Army and Air Force Exchange Service also provided comments on projects related to the Exchange Service and agreed to use Exchange Service funds to pay for a project that was not related to base closure or realignment.

We request that the Assistant Secretary of Defense (Production and Logistics), the Comptroller of the Department of Defense, and the Assistant Secretary of the Air Force (Manpower, Reserve Affairs, Installations, and Environment) provide additional comments to the final report by June 17, 1992. The full discussion of the responsiveness of management comments is included in Part II of the report and the complete text of management comments is included in Part III of the report.

## TABLE OF CONTENTS

	<u>Page</u>
TRANSMITTAL MEMORANDUM	1
EXECUTIVE SUMMARY	i
PART I - INTRODUCTION	
Background	1
Objectives	1
Scope	2
Internal Controls	3
Prior Audits and Other Reviews	3
PART II - FINDINGS AND RECOMMENDATIONS	
A. Construction Requirements at Realigning Installations	5
B. Real Property Improvements at Closing Installations	17
PART III - ADDITIONAL INFORMATION	25
APPENDIX A - Projects Affected by Force Structure Changes	27
APPENDIX B - Project Relationship to Base Closure	29
APPENDIX C - Projects and Facility Planning Criteria	31
APPENDIX D - Projects and Existing Facilities	33
APPENDIX E - Projects and Administrative Calculations	35
APPENDIX F - Computation of Monetary Benefits	37
APPENDIX G - Summary of Potential Benefits Resulting from Audit	39
APPENDIX H - Activities Visited or Contacted	43
APPENDIX I - Report Distribution	45

TABLE OF CONTENTS (cont'd)

	<u>Page</u>
PART IV - MANAGEMENT COMMENTS	47
Assistant Secretary of Defense (Production and Logistics)	49
Comptroller of the Department of Defense	51
Department of the Navy	53
Department of the Air Force	61
Defense Logistics Agency	65
Headquarters, Army and Air Force Exchange Service	71
U.S. Army Military District of Washington	75

This report was prepared by the Contract Management Directorate, Office of the Assistant Inspector General for Auditing, DoD. Copies of the report can be obtained from the Information Officer, Audit Planning and Technical Support Directorate, (703) 614-6303 (DSN 224-6303).

## PART I - INTRODUCTION

### Background

On May 3, 1988, the Secretary of Defense chartered the Commission on Base Realignment and Closure (the Commission) to recommend military installations for realignment and closure. The Secretary of Defense approved the Commission's recommendations in January 1989; and Public Law 100-526, "Base Closure and Realignment Act," authorizing realignment actions, became effective in April 1989. The Commission recommended that 86 installations (includes 52 stand-alone family housing complexes), be fully closed, that 5 be partially closed, and that 54 be realigned. The Commission estimated annual savings of \$693.6 million and a 20-year savings with a net present value of \$5.6 billion.

Public Law 100-526 establishes a Base Closure Account for the purpose of new construction of replacement facilities when functions are transferred from one military installation to another. The Defense Appropriations Act of 1990 placed a \$2.4 billion cap on construction of new facilities and family housing units associated with realignment actions.

Public Law 100-526 further stipulates that realignment actions must be fully implemented by September 30, 1995. For closing installations, plans should be developed and implemented to allow for a smooth transition from an active installation to a closed installation. Tasks include reducing civilian work forces, moving military members and equipment, and preparing excess installation property for disposal. Installation commanders use operation and maintenance (O&M) funds to keep facilities in good operating condition. O&M funds are used for normal and recurring repair and maintenance, minor renovations and alterations, and special repairs and maintenance.

Public Law 101-510, "Defense Base Closure and Realignment Act of 1990" establishes another independent "Defense Base Closure and Realignment Commission" that will meet during calendar years 1991, 1993, and 1995. The 1991 Commission met and recommended that 34 bases be closed and an additional 48 bases be realigned. The future Commissions will also review recommendations for closure or realignment submitted by the Secretary of Defense.

### Objectives

The audit objectives were to determine whether:

- Base realignment and closure implementation plans were efficient and effective;

- The need for base realignment construction requirements was adequately supported;

- Improvements to real property facilities at closing installations were needed; and

- Internal controls over realignment actions were effective.

### Scope

Locations and projects reviewed. The audit was performed at the Base Realignment and Closure Program office within the Office of the Assistant Secretary of Defense (Production and Logistics), at the Office of the Comptroller of the Department of Defense, and at the activities shown in Appendix H. We evaluated the need and support for military construction requirements budgeted for FY 1990 through FY 1993 at five Air Force and two Navy installations. To accomplish this, we reviewed the applicable DD Forms 1391, "Military Construction Project Data"; supporting documentation; real property records; and realignment implementation plans. We reviewed \$131 million (42.7 percent) of the \$306.5 million in construction requirements developed by the two Navy installations. We reviewed \$299.6 million (41.5 percent) of \$722.1 million in construction requirements developed by the five Air Force installations. Because the 1991 Base Closure Commission recommended the realignment of the Undergraduate Navigator Training School to Randolph Air Force Base (AFB) instead of Beale AFB, audit work accomplished at Beale AFB would no longer be applicable. Accordingly, we have excluded any findings or recommendations related to Beale AFB. We also reviewed \$28.1 million (85.9 percent) of \$32.8 million in O&M funds used for maintaining facilities at four closing installations. At all closing installations, we reviewed 314 completed and planned facility improvement projects, valued at \$28.1 million, for FY's 1990 through 1994. We examined the facility improvement projects at Cameron Station where the Defense Logistics Agency is located. Cameron Station is managed by the Military District of Washington, an Army activity. We also examined facility improvement requirements at Kapalama Military Reservation, Hawaii. Construction requirements at other Army installations were not reviewed because of prior coverage by the U.S. Army Audit Agency. In the Navy and the Air Force, we reviewed planned facility improvements at Naval Station Puget Sound (Sand Point) and Pease AFB respectively. The facility improvement requirements were not reviewed at other Air Force installations because of coverage by the Air Force Audit Agency.

Auditing standards. This program results audit was made from January 1990 through April 1991 in accordance with auditing standards issued by the Comptroller General of the United States as implemented by the Inspector General, DoD. Accordingly, the

audit included such tests of internal controls as were considered necessary. We did not rely on computer-generated data in performing the audit.

### Internal Controls

The audit evaluated internal controls relating to the adequacy of implementation plans. We also evaluated the adequacy of DoD, Navy, and Air Force guidance and standard operating procedures for estimating construction requirements at realigning installations and for maintaining facilities at closing installations.

The audit identified internal control weaknesses as defined by Public Law 97-255, Office of Management and Budget Circular A-123, and DoD Directive 5010.3. Plans for accomplishing base realignments and closures were adequate. However, construction requirements for 33 projects at realigning installations were not estimated in accordance with Navy and Air Force facility requirement criteria, related to realignment actions, or properly reviewed and approved by their headquarter staffs. Also, facility improvements at closing installations were not kept to a minimum essential level to support an acceptable living and working environment.

Recommendations A.1., A.3., A.4., B.1., and B.2., if implemented, will correct these weaknesses; however, we could not quantify the monetary benefits to be realized by implementing these recommendations. A copy of the final report will be provided to the senior official responsible for internal controls within the Office of the Secretary of Defense and the Military Departments.

### Prior Audits and Other Reviews

The General Accounting Office (GAO) issued Report No. NSIAD 90-42 (OSD Case No. 7932-G), "Military Bases - An Analysis of the Commission's Realignment and Closure Recommendations," November 1989. GAO concluded that the Commission's methodology, findings, and recommendations for realignment actions were basically sound. However, GAO estimated that annual savings resulting from realignment actions ranged from \$400.3 to \$453.4 million, rather than the \$623.9 million reported by the Commission. GAO recommended that the Secretary of Defense closely monitor the Military Department's base realignment and closure implementation plans. GAO also recommended improvements to management controls and methodology for future base realignment and closure studies. The Secretary of Defense has since created offices within the Department to provide guidance and to monitor the implementation of the Commission's recommendations by the Military Departments. In addition, Congress and the Secretary of Defense have developed a methodology for recommending future base closing.

The Army Audit Agency (AAA) issued Report No. HQ 90-701, "Special Report on Base Realignment and Closure Construction Requirements," December 29, 1989. On July 1, 1989, major Army commands submitted construction requirements with an estimated cost of about \$1.1 billion to Headquarters, Department of the Army. The Office of the Chief of Staff, Army, requested that the AAA determine whether realignment construction requirements were adequately supported. AAA reviewed \$762.7 million (69 percent) of those construction requirements. Of the \$762.7 million in construction requirements, AAA questioned the need for \$166.3 million (22 percent). The Department of the Army reduced total base realignment and closure construction requirements by \$178 million and concurrently funded the related projects with Army military construction funds.

The Air Force Audit Agency (AFAA) issued Report No. 0185210, "Base Closure Facilities Management," June 19, 1991. AFAA evaluated facilities maintenance, improvements, and construction guidance and reviewed facility improvements at four closing Air Force bases. AFAA questioned the need for \$4 million in facility improvements and recommended that Headquarters, U.S. Air Force, develop detailed criteria for closing bases; review and approve all projects over \$1,000; and develop a methodology for reducing civil engineering staffing requirements as the work load diminishes at closing bases. Air Force officials concurred and are in the process of implementing the recommendations.

During our current audit, we issued Quick-Reaction Report No. 91-073, "Audit of DoD Base Realignment and Closures," April 30, 1991. We reported that force reduction actions have negated the need for realignment projects estimated to cost about \$53.1 million at the Naval Station Pearl Harbor, Hawaii. On November 26, 1990, the Deputy Secretary of Defense signed Program Budget Decision No. 011 to deactivate the Navy's two remaining battleships. Work continued, however, on contracts awarded in September 1990 for facilities originally intended to homeport the battleship USS MISSOURI, and additional contracts were pending award at the Naval Station Pearl Harbor. We recommended that management cancel construction projects that were no longer supported by realignment actions and reduce expenditures charged to the Base Closure Account. Navy officials canceled three projects (costing about \$6.5 million) that were not supported by realignment actions. The Navy nonconcurred with recommendations to terminate the pier and shore improvements contract, to reduce the scope of an applied instructional facility, and to repay the Base Closure Account for funds expended on the pier. After the report was issued, Navy determined that termination costs for the pier and shore improvement project and redesign costs for the applied instructional facility would exceed the costs for the two projects. We did not press for implementation of the audit recommendations because the opportunity to avoid questionable costs was lost.



## PART II - FINDINGS AND RECOMMENDATIONS

### A. CONSTRUCTION REQUIREMENTS AT REALIGNING INSTALLATIONS

The Navy and the Air Force developed realignment construction requirements that should not be funded from the Base Closure Account. The Navy and the Air Force:

- developed facility requirements that were not reduced in scope after force structure changes;
- requested facility improvements that corrected existing facility shortfalls, but were not related to realignment actions;
- estimated facility requirements that were not in accordance with the Military Departments' established criteria and did not adequately consider the use of existing excess space; and
- made administrative errors.

As a result, \$72 million <sup>1/</sup> in construction requirements was not supported.

### DISCUSSION OF DETAILS

#### Background

Public Law 100-526 authorizes realignment actions affecting 145 installations. Of this number, 86 are to be closed fully; 5 are to be closed in part; and 54 will experience a change, an increase or a decrease, as units or activities are relocated. Public Law 100-526 established the Base Closure Account, which can be used only for purposes prescribed in the Law. Those purposes include new construction of replacement facilities when functions are transferred from one military installation to another. To support realignment actions, Congress provided \$2.4 billion to the Base Closure Account to fund military construction of new facilities. Installation personnel developed construction requirements using criteria contained in their respective Military Department regulations and documented on DD Form 1391, "Military Construction Project Data (DD Form 1391)."

#### Construction Requirements

We reviewed methodology and adequacy of support for construction requirements developed at five Air Force and two Navy installations. We reviewed 104 construction projects planned for

---

<sup>1/</sup> The \$72 million includes \$53.1 million in construction requirements reported in Quick-Reaction Report No. 91-073, April 30, 1991 and discussed on page 4 of this report.

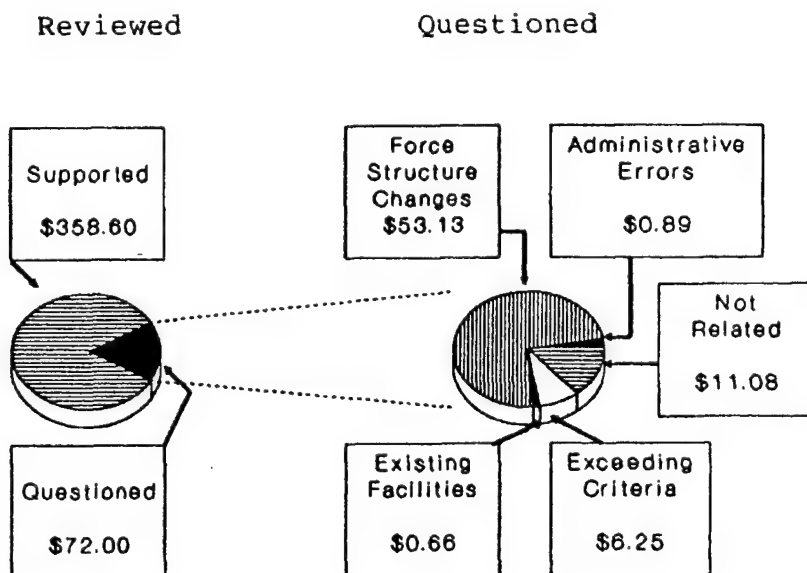
FY 1990 through FY 1993 and supporting data as submitted in the FY 1991 budget. The table below provides a summary of the scope of our review.

### Construction Requirements

<u>Military Departments</u>	<u>Total Dollars (millions)</u>	<u>Dollars Reviewed (millions)</u>	<u>No. of Projects Reviewed</u>
Navy	\$ 324.9	\$131.0	22
Air Force	<u>1,068.6</u>	<u>299.6</u>	<u>82</u>
Total	<u>\$1,393.5</u>	<u>\$430.6</u>	<u>104</u>

Of the 104 projects reviewed, valued at \$430.6 million, there were 71 projects valued at \$303.5 million that were adequately supported. However, for 33 projects valued at \$127.1 million, we questioned the need to spend \$72 million, or 17 percent of the total cost. In total, there was \$358.6 million of adequately supported construction requirements. These projects were unsupported due to changes in force structure actions, facility improvements that were not related to realignment actions, the incorrect application of facility requirement criteria, and administrative errors. The chart below illustrates the dollar impact by cause.

### Construction Projects (Millions \$)



During the audit, we provided interim results to Base Realignment and Closure Program offices within the Air Force and the Navy so that timely corrective actions could be taken. As shown in Appendixes A through E, Air Force and Navy management took action on 16 projects and reduced construction costs by \$11.5 million. Additional management actions are needed to ensure the proper use of base closure funds.

### Force Reductions

Public Law 100-526 requires that base closure funds be used only for construction requirements necessary to implement realignment actions. If for any reason the realignment does not take place or its magnitude is reduced, then the requirements for facilities should be adjusted accordingly. In its report, the Commission stated that "The scope and nature of our recommendations reflect the current and future requirements as we now see them, but as the nature of the threat and force structure change, new basing realignments and closures will be required." Accordingly, the Base Closure Account should not be used to fund the construction of replacement facilities that are no longer supported by realignment actions.

Force structure changes negated or reduced the need for five Navy projects estimated to cost \$53.1 million (Appendix A). Base realignment projects at the Naval Station Pearl Harbor, Hawaii, were not needed. On November 26, 1990, the Deputy Secretary of Defense signed Program Budget Decision No. 011 to deactivate the Navy's two remaining battleships. Work continued, however, on contracts awarded for new facilities to be used in homeporting the battleship USS MISSOURI, and additional contracts were pending award at the Naval Station Pearl Harbor. We issued Quick-Reaction Report No. 91-073 on April 30, 1991, recommending the cancellation of construction projects that were no longer supported by realignment actions. Navy officials agreed to cancel three projects estimated to cost \$6.5 million.

### Non-Realignment Projects

Ten projects reviewed were not fully related to realignment actions. The projects were developed by the Army and Air Force Exchange Service (AAFES) (8 projects), and the Defense Commissary Agency (DeCA) (2 projects). These projects included some "get well" requirements costing about \$11.1 million (Appendix B) to correct existing facility shortfalls. Examples of "get well" projects are provided below.

- At Cannon AFB, DeCA officials adequately supported their request to construct an 11,500 square-foot expansion to the commissary. However, the planned alteration to 4,500 square feet of existing space was not related to realignment actions. The commissary is only 10 years old and recently received several

enhancements, such as ceiling lighting fixtures, a delicatessen, and a bakery. Base closure funds of \$1.27 million were inappropriately requested for additional modernization efforts.

- AAFES officials requested more than \$4.6 million in base closure funds for special use space, such as enclosed shopping malls, fast-food outlets, and mechanical space for three projects at three Air Force installations we visited. AAFES personnel could not provide a basis or rationale for the methods used to estimate space requirements or costs. AAFES has criteria for estimating special use space; however, we were informed that other methods were used to estimate facility requirements due to time constraints. As a result, we could not verify that the requested space was fully related to realignment actions. We also believe that AAFES should fund construction for special use space.

- At March AFB, AAFES officials requested \$5.1 million to expand the exchange center. This expansion included special use space and a 14,100 square-foot addition to the warehouse. The existing warehouse is smaller than the size authorized by Military Handbook 1190, "Facility Planning and Design Guide." AAFES' request would correct this deficiency in size as well as satisfy the new base closure requirement. Of the 14,100 square feet requested and estimated to cost \$1.9 million, only 9,474 square feet is directly related to realignment actions. About \$873,000 should not be charged to the base closure account.

Although the warehouse project at March AFB was not fully related to base closure actions, we believe the requirement represents valid needs. The most efficient and economical way to satisfy the requirement would be to fund the projects concurrently with base closure funds and other funds such as military construction funds. DoD guidance is needed on proper methods for conjunctively funding a project driven by both realignment actions and a valid shortfall in existing facilities. In addition, supplemental guidance requiring DeCA and AAFES to use their own appropriations for special use space and modernization would allow base closure funds to be better used for new construction.

#### Facility Requirement Estimates

Military Department criteria used to estimate facility requirements were outdated and did not reflect current mission needs. Also, the use of existing facilities to satisfy requirements was not fully considered. As a result, 15 projects reviewed, costing an estimated \$6.9 million, were not supported as shown in Appendixes C and D.

Estimating criteria. According to Air Force Manual (AFM) 86-2, "Standard Facility Requirements," keeping facility criteria

updated to satisfy Air Force changing mission requirements is one of the more important tasks of the facility requirements function. However, AFM 86-2 has not been fully updated since 1973 and does not provide essential criteria for estimating current facility requirements.

Requirements for squadron operations, aircraft maintenance units and Reserve Forces training facilities were developed that exceeded the criteria in AFM 86-2 by 32,088 square feet for eight projects. For example, AFM 86-2 prescribes 6,578 square feet for an aeromedical evacuation training facility for Air Force Reserve Forces. However, construction of a 13,200 square-foot facility costing \$2.4 million was requested. Documentation was not provided showing why the size of the proposed facility should be double the size prescribed by AFM 86-2. The 13,200 square-foot figure was derived by making adjustments to draft guidelines developed by the Air National Guard. We believe that appropriate facility criteria should be developed and approved by Headquarters, U.S. Air Force before committing base closure funds for an aeromedical evacuation training facility. Using the criteria in AFM 86-2, base closure funds would be reduced by \$1.44 million for the proposed facility.

Air Force personnel at the installations visited stated that they were authorized to adapt AFM 86-2 to meet their needs. However, no formal analysis of the mission and facility requirements had been made at the installation or headquarters level. Facility requirements should be fully evaluated in order to make needed revisions to criteria that apply Air Force-wide. Air Force management agreed to issue interim guidance to meet current operational requirements for squadron operations and aircraft maintenance facilities. Additional management actions are needed to evaluate and update facility criteria for the Air Force Reserves.

Use of existing facilities. Installation officials did not consider the use of existing facilities in developing requirements for two projects costing \$6.0 million as shown in Appendix D. AFM 86-2 and Naval Facilities Engineering Command P-80 (NAVFAC P-80), "Facility Planning Criteria for Navy and Marine Corps Shore Installations," require that the use of existing facilities be maximized when developing facility requirements. Information, such as real property records, base closure implementation plans, and approved future construction should be used to determine if space is available and, if so, whether it can be used for realignment purposes. If existing facilities are properly used at both March AFB and Naval Station Puget Sound, \$665,000 could be saved.

At March AFB, the need for an additional aircraft maintenance building could be partially satisfied with existing facilities. Construction of a 14,500 square-foot maintenance facility was

requested to house a sheet metal shop, a support equipment shop, and a storage and repair area for C-141 aircraft jet engines and trailer maintenance. The existing jet engine maintenance facility located on the base will not be needed after the proposed decommissioning of C-130 aircraft. The existing facility is more than adequate to accommodate the 3,000 square feet requested for the C-141 aircraft jet engine storage and repair facility, thereby reducing the need for \$496,000 in base closure funds. The use of existing space would also reduce costs to renovate space for Navy Reserve personnel at Naval Station Puget Sound (Sand Point) by \$169,000.

#### Administrative Corrections

Administrative errors caused three projects to be overstated by about \$892,000 (Appendix E). At March AFB, for example, the expansion to the aircraft maintenance hanger was overstated by 1,739 square feet. Incorrect dimensions of the facility being replaced were used in determining the size of the hanger expansion project. Air Force Reserve personnel did not use the real property records, which showed the correct size of the project. Therefore, the request for base closure funds should be reduced by \$558,000. Air Force Reserve personnel maintain that the size in the DD Form 1391 was accurate based on measurement of the interior.

#### Conclusion

Public Law 100-526 requires that the Base Closure Account be used only for approved closure or realignment purposes. The audit showed that 33 realignment construction projects estimated to cost \$127.1 million at Air Force and Navy installations had \$72 million of associated costs that were not fully supported and should not be construed as part of the price of implementing the base realignment plan. Construction project reviews by major command and headquarters personnel either were not accomplished or were not sufficient to identify deficiencies noted during the audit. An additional \$963 million in Air Force and Navy construction projects are pending. A validation of these project proposals would provide added assurance for the proper use of base closure funding.

By implementing our recommendations, an additional \$18.9 million in potential monetary benefits could be realized.

#### RECOMMENDATIONS, MANAGEMENT COMMENTS, AND AUDIT RESPONSE

1. We recommend that the Assistant Secretary of Defense (Production and Logistics):

a. Issue procedures for reevaluating construction requirements if force structure changes occur after the

recommendations are made by the Commissions for base realignment and closures. These procedures should include guidance on when a project should be terminated, redesigned, or conjunctively funded to satisfy requirements that are no longer valid under base closure actions.

b. Develop guidance on how to calculate requirements related to base realignment. The guidance should explain the difference between normal military construction requirements and requirements driven by base realignment actions. The guidance should encourage conjunctive funding and allow for these requirements to take precedence over the prioritizing of normal military construction needs. In addition, the guidance should require the Defense Commissary Agency and the Army and Air Force Exchange Services to use their appropriations to fund all renovations, special use space, and modernization of their facilities.

c. Establish procedures for independent validation of construction requirements before project funding. The validation should encompass force structure changes that may cause reductions or negations, design criteria changes, and the availability of existing facilities. Revise base closure funding accordingly.

Management comments. The Principal Deputy Assistant Secretary of Defense (Production and Logistics) nonconcurred with Recommendation 1.a. and 1.b., but partially concurred with Recommendation 1.c., stating he recognizes that additional oversight may be required over the existing procedures. The Principal Deputy believes that current procedures, such as the DoD Base Closure Account Fund Distribution and Accounting guidance issued by the Comptroller on January 3, 1990, and the DoD Base Closure Account Policy and Responsibilities guidance issued by the Assistant Secretary of Defense (Production and Logistics) on January 18, 1990, in conjunction with standard DoD budget and budget execution policies and procedures, are sufficient. The Principal Deputy requested that we amend our report to delete recommendations for additional guidance and procedures.

The Air Force also responded to Recommendation 1.c. and stated that the Secretary of the Air Force established a Base Closure Executive Group that stringently reviews all proposals related to construction requirements associated with base closure and realignments.

Audit response: The Principal Deputy's comments are considered to be partially responsive. We recognize the guidance issued in the two documents cited, but we do not consider them sufficient to ensure the efficient and effective implementation of base closures and realignments



recommendations. Neither document provides the step by step procedures needed to ensure that projects are terminated, redesigned, or conjunctively funded. We note that Section K of the DoD Base Closure Account Policy and Responsibilities does address conjunctive funding, but it does not require the Defense Commissary Agency and the Army and Air Force Exchange Services to fund all renovations, special use space, and modernization of their facilities. The Air Force Base Closure Executive Group is an excellent method for evaluating construction requirements that the Assistant Secretary should consider for all Defense components. We still believe additional guidance is needed and request that the Assistant Secretary reconsider his position concerning the issuance of guidance and provide an estimated completion date.

2. We recommend that the Comptroller of the Department of Defense reduce the base realignment funds for Air Force by \$18.4 million and for Navy by \$480,000 as summarized in Appendix F and detailed in Appendixes B through E.

Management comments. The Director for Construction, Office of the Comptroller of the Department of Defense stated that the recommended adjustments to the funding of the Navy and Air Force based on audit results had largely been accomplished either through the FY 1992 and FY 1993 budget review process, or through the Services' own initiatives. The Director also stated that he will work with the various Base Closure Offices, established by Navy and Air Force, to make any further necessary adjustments to implement the intent of the audit.

Audit response The Comptroller's comments are considered responsive.

3. We recommend that the Assistant Secretary of the Air Force (Manpower, Reserve Affairs, Installations, and Environment):

a. Update facility requirements criteria contained in Air Force Manual 86-2, "Standard Facility Requirements," to reflect current approved mission needs. Changes to Air Force Manual 86-2 should be based on appropriate studies, evaluations, and approvals of facility needs for:

(1) F-4 aircraft squadron operation and maintenance facilities at Mountain Home Air Force Base.

(2) F-111 aircraft squadron operation and maintenance facilities at Cannon Air Force Base.

(3) Aeromedical evacuation and consolidated training facilities at March Air Force Base.



**Management comments.** The Deputy Director for Bases and Units, Office of the Assistant Secretary of the Air Force (Manpower, Reserve Affairs, Installations, and Environment) neither concurred nor nonconcurred with Recommendation 3.a. but stated that Air Force Manual 86-2 is currently being revised because of its age and outdated scope calculations.

**Audit response.** We consider the Air Force comments to be partially responsive. While the Air Force Manual 86-2 is being revised, the comments did not specifically state that appropriate studies, evaluations, and approval of facility needs were being done. We request that the Assistant Secretary respond to the final report, indicating concurrence or nonconcurrence with the recommendation and provide a completion date, as required by DoD Directive 7650.3.

**b. Require the maximum use of existing facilities before construction requirements are submitted for base closure funding.**

**Management comments.** The Assistant Secretary of the Air Force (Manpower, Reserve affairs, Installations, and Environment) did not respond to Recommendation 3.b.

**Audit response.** We request that the Assistant Secretary of the Air Force (Manpower, Reserve Affairs, Installations, and Environment) respond to the final report, indicating concurrence or nonconcurrence with the recommendation and provide an estimated completion date as required by DoD Directive 7650.3.

**c. Reevaluate and reduce the scope of facility requirements for Air Force projects listed in Appendixes B through E.**

**Management comments.** The Deputy Director for Bases and Units, Office of the Assistant Secretary of the Air Force (Manpower, Reserve Affairs, Installations, and Environment) nonconcurred with Recommendation 3.c. and stated that the \$40.8 million (adjusted to \$18.4 million - excludes \$22.4 million for Beale Air Force Base) was an IG, DoD estimate of unvalidated construction requirements, based on a regulation (Air Force Manual 86-2), which is intended to be used only as a guide.

**Audit response.** We disagree with the Air Force comment that the savings were based on estimates of unvalidated construction requirements. We validated the requirements based on the only guide in existence at that time, the Air Force Manual 86-2. Without the proper implementation of Recommendation 3.a., which requires update of the regulation, the Air Force has no concrete basis for requesting project scopes that exceed the criteria used in Air Force Manual 86-2. We request that the Assistant

Secretary reconsider his position when responding to the final report, indicate concurrence or nonconcurrence with the recommendation, and provide an estimated completion date as required by DoD Directive 7650.3.

d. Use conjunctive funding methods to satisfy facility requirements that are not fully related to realignment actions.

Management comments. The Assistant Secretary of the Air Force (Manpower, Reserve Affairs, Installations, and Environment) did not respond to Recommendation 3.d.

Audit response. We request that the Assistant Secretary of the Air Force (Manpower, Reserve Affairs, Installations, and Environment) respond to the final report, indicating concurrence or nonconcurrence with the recommendation and provide an estimated completion date, as required by DoD Directive 7650.3.

4. We recommend that the Assistant Secretary of the Navy (Installations and Environment):

a. Require the maximum use of existing facilities before construction requirements are submitted for base closure funding.

Management comments. The Assistant Secretary of the Navy (Installations and Environment) concurred in principle with the recommendation and stated the Navy planning and programming procedures require that the maximum use of existing facilities be examined at various stages before construction requirements are submitted for funding.

Audit response. We consider the Navy comments responsive.

b. Reevaluate and reduce the scope of facility requirements for Navy projects listed in Appendixes C through E.

Management comments. The Assistant Secretary of the Navy (Installations and Environment) stated that the three projects in Appendixes C through E have been reevaluated and were reduced in scope by \$480,000.

Audit response. We consider the Navy response to be fully responsive.

c. Use conjunctive funding methods to satisfy facility requirements that are not fully related to realignment actions.

Management comments. The Assistant Secretary of the Navy (Installations and Environment) concurred with the recommendations and stated where applicable, conjunctive funding methods will be used to satisfy facility requirements, which are not fully related to realignment actions.

Audit response. We consider the Navy comments to be fully responsive.

d. Compare facility requirements criteria in Naval Facilities Engineering Command P-80, "Facility Planning Criteria for Navy and Marine Corps Shore Installations," with facility requirements criteria in Military Handbook 1190, "Facility Planning and Design Guide," and resolve conflicts in criteria.

Management comments. The Assistant Secretary of the Navy (Installations and Environment) concurred and stated that the Navy is the lead Service for a Department of Defense effort, which began in 1987, to revise facility design criteria. This effort will result in revisions to MIL-HDBK-1190, "Facility Planning and Design Guide," and will also resolve differences in facility criteria guidance between MIL-HDBK-1190 and the Naval Facilities Engineering Command P-80, (Facility Planning Criteria for Navy and Marine Corps Shore Installations).

Audit response. We consider the Navy comments to be fully responsive.

#### STATUS OF RECOMMENDATIONS

Number	Addressee	Response Should Cover			Related Issues
		Concur/ Nonconcur	Proposed Action	Completion Date	
1.a.	ASD(P&L)	X	X	X	
1.b.	ASD(P&L)	X	X	X	
1.c.	ASD(P&L)		X	X	
2.	Comptroller of the DoD				
3.a.	Air Force	X	X	X	
3.b.	Air Force	X	X	X	
3.c.	Air Force	X	X	X	M */
3.d.	Air Force	X	X	X	
4.a.	Navy				
4.b.	Navy				
4.c.	Navy				
4.d.	Navy				

\*/ M=monetary benefits



## B. FACILITY IMPROVEMENTS AT CLOSING INSTALLATIONS

Appropriate judgements were not made on improving facilities at closing installations. This condition existed because guidelines on the appropriate level of facility maintenance were not issued, were too general, or were not followed. In addition, DoD had not established a uniform methodology to determine and adjust civil or facility engineering personnel requirements as facility work load diminishes. As a result, about 13 unessential facility improvement projects, costing about \$500,000, were either completed or near completion. In addition, 77 unessential facility improvement projects, costing about \$9.1 million, were planned at three installations.

### DISCUSSION OF DETAILS

#### Background

The Commission recommended 91 installations, which include 52 stand-alone family housing complexes, for partial or full closure by FY 1995. In a memorandum to DoD Components, February 15, 1989, the Deputy Assistant Secretary of Defense (Installations) provided information on terminating ongoing contracts at bases scheduled for realignment or closure. The memorandum stated in part:

The Military Departments have the authority to terminate ongoing contracts. Please take whatever actions are necessary to husband the Government's resources at the bases identified for closure or realignment.

Installation commanders are ultimately responsible for determining the level of real property maintenance and repair necessary to provide for an adequate working environment.

We evaluated the extent of, and need for, improvements to real property facilities at four installations scheduled for closure. The installations reviewed and scheduled closure dates are as follows.

<u>Installation</u>	<u>Closure Date</u>
Pease AFB, New Hampshire	March 1991
Naval Station Puget Sound, Washington	October 1992
Kapalama Reservation, Hawaii	September 1993
Cameron Station, Virginia	September 1995

Guidelines on the level of facility maintenance and repair had not been issued, were too general when issued, or were not followed. Moreover, the need for facility improvement projects and other installation services was not reevaluated given pending realignment actions. As a result, we identified unessential work costing about \$9.6 million that was completed or planned. In addition, the Air Force Audit Agency (AFAA) identified in Report No. 0185210, "Base Closure Facilities Management," that about \$4 million in unessential work was accomplished or planned at four closing Air Force installations. During the audit, we provided interim results of our review to management so that timely corrective actions could be taken.

### Base Closure Guidance

The OSD program office for base realignment and closures provided no additional guidelines or criteria on the minimum level of real property maintenance and repair of facilities at closing installations. Neither the Army nor the Navy base realignment offices issued supplemental guidance. However, the Department of the Army, Office of the Assistant Chief of Engineers, directed the major commands to perform at the minimum essential levels necessary to support an acceptable living and working environment. The Air Force program office for base realignment instructed major commands that all facility projects be held or delayed indefinitely pending a case-by-case evaluation of the need.

In certain cases, we identified supplementary guidelines on maintaining facilities issued by subordinate command levels. For example, the U.S. Army Military District of Washington (MDW) is responsible for real property maintenance and repair of facilities at Cameron Station, Virginia. The MDW Base Realignment and Closure Implementation Plan, September 1, 1989, provides the following guidance.

- Operation and Maintenance expenditures will be minimized to the minimum essential levels necessary to support an acceptable living and working environment.

- Only health and safety issues will be corrected at installations to be closed. Imminent problems will be aggressively pursued and will not be deferred pending closure.

- New work will be reduced to absolute minimum levels and will be accomplished in a prudent manner consistent with the exigency of the request.

- Vacated buildings or portions thereof will be placed in "mothball status" consistent with the need to preserve Government property and to ensure a neat and pleasing appearance to the installation. Activities will not expand into vacated

facilities. Activities will consider relocating on post, where economically feasible, in order to reduce operation and maintenance efforts.

The MDW guidelines set some of the necessary framework for decisionmaking. We believe that the Assistant Secretary of Defense (Production and Logistics), should make similar guidelines applicable throughout DoD after expanding the guidelines to include the following steps: require a comprehensive review of all existing real property improvement projects and services; delay low priority facility work; establish dollar thresholds for project approval; encourage and identify lower cost alternatives for accomplishing work, such as self-help programs; cancel or reduce the scope of unneeded work; and make a senior installation management official accountable for enforcing guidelines on what constitutes essential real property maintenance repairs.

#### Real Property Maintenance and Repair

Facility maintenance at Kapalama Reservation, Hawaii, was kept to the minimum and was not included in our review. At the three remaining installations, we reviewed 314 projects valued at \$28.1 million. Ninety facility improvements costing about \$9.6 million (34.1 percent) was questionable at these installations. The results of our review follow.

Naval Station Puget Sound (Sand Point). The Commission recommended partial closing of Naval Station Puget Sound, Sand Point, Washington, and at least 38 buildings at Sand Point were scheduled to be vacated by FY 1992. At the time of our review in August 1990, we were informed that the complete closure of Sand Point was under consideration. On April 12, 1991, the Secretary of Defense recommended complete closure of Naval Station Puget Sound (Sand Point).

As of July 1, 1990, records showed that 72 real property maintenance and repair projects costing \$11.3 million were scheduled for Sand Point. We selected 39 high-dollar projects for review with an estimated total cost of about \$10.6 million (94 percent). For the 39 maintenance projects, we determined that 26 projects costing \$7.9 million were not mission-essential or otherwise needed for health, safety, and security reasons. The 26 maintenance projects were for buildings scheduled to be vacated, and the original justifications for these projects were not revalidated. Examples of the maintenance projects follow.

- The replacement of doors and windows at an estimated cost of \$822,000 was still planned for the base exchange.

- A plumbing and electrical project could be reduced in scope from \$804,000 to \$104,000 if only essential repairs were accomplished.

- Renovations to Building No. 5 will be funded by the Base Closure Account; therefore, the \$1.2 million in scheduled repairs with operation and maintenance funds was not required.

Installation personnel agreed to cancel 22 projects and reduce the scope of 4 additional projects at a cost avoidance of \$7.9 million. We recommended that other low priority facility work be delayed until a final decision is made on the full closure of Sand Point.

**Cameron Station.** At the Army installation, Cameron Station, the need for facility improvements costing more than \$1.1 million was questionable. Guidelines issued by MDW for performing only essential alterations and repair work were not applied, and justifications for projects originally approved in FY 1989 were not revalidated. As of February 1990, records showed that 269 maintenance facility improvement projects estimated to cost at least \$15.2 million either were ongoing or were planned for FY 1990 and FY 1991. Facility engineers at Cameron Station manage projects funded by the installation commander and the Defense Logistics Agency (DLA). We determined that 207 projects, valued at \$14.1 million were required; however, 62 projects (23 percent) valued at \$1.1 million (7.1 percent) were not mission-essential or otherwise needed for health, safety, and security reasons. Examples are shown below.

- Physical fitness center. The expansion and renovation of a warehouse to accommodate a physical fitness center cost \$364,000. Facility design work was completed in July 1989, 7 months after the Commission's report, and the project was completed before our review. We were told that the project was needed to encourage physical fitness and health. Cameron Station has functioned without the physical fitness center for years, and pending closure actions, less costly forms of physical fitness should have been explored. In addition, Cameron Station is considered prime real estate, and improvements to existing facilities will not likely add value to the sale of the property.

- Equipment upgrade. A refrigeration replacement project costing about \$500,000 was scheduled for the commissary. As a result of our audit, the project was canceled.

At the time of our review, 13 of the 62 projects costing about \$500,000 were either completed or near completion. DLA officials agreed to cancel eight projects costing more than \$66,100, and MDW personnel responsible for real property maintenance agreed to cancel 41 projects costing more than \$561,500.

**Pease AFB.** Planned facility improvements and recreational services costing about \$600,000 were not needed. As of February 1, 1990, records showed that 28 contracts valued at



\$6.2 million were in effect for various base support functions. We selected six service contracts costing about \$2.3 million for review. We determined that four contracts valued at \$1.7 million were valid; however, one family housing contract included nonessential work costing about \$585,000 for painting interiors and exteriors, refinishing hardwood floors, and replacing floor tile. Another contract reviewed could be reduced by about \$11,500 for sporting events. Air Force officials informed us that appropriate corrective actions were taken to reduce the scope of the service contracts.

### Engineering Manpower Requirements

Facility engineers manage, perform, and oversee installation improvement projects. Facility projects require planning personnel to produce designs, estimates, and specifications and to perform investigative work needed to execute a facility project. Drafting personnel are also required to develop the project drawings. If the facility project is to be performed by contract, engineer planning personnel are required to develop the contract specifications, Government contracting personnel are required to process and administer the contract, and construction quality assurance personnel are required to oversee contract accomplishment.

The AFMA reported that civil engineer staffing levels were not adjusted as the work load was reduced at the four Air Force installations they reviewed, and no plans existed to reduce staffing before base closures. Civil engineer staffing standards were based on facility square footage rather than on workload measurement. As a result, no method was available to correlate reductions in the work load with staffing requirements. The AFMA determined that if manning in the civil engineering sections were in direct proportion to the facility project work load, and the work load diminishes by 50 percent for 1 year, a savings of about \$1.2 million could be realized at the four closing bases reviewed.

The AFMA recommended that the Air Force develop a methodology for determining civil engineering staff requirements at bases identified for closure and apply the methodology to determine and adjust manpower requirements as the work load diminishes. Air Force management concurred with the finding, recommendation, and potential monetary benefit.

We did not review the criteria used by the Army and Navy to reduce engineering personnel at closing installations. However, there is a direct correlation between diminishing facility work load and personnel reductions. Accordingly, we believe that the OSD program office for base realignment and closures should review the Air Force methodology for reducing civil engineer staffing requirements at closing installations and provide uniform DoD guidance.

## Conclusion

Management controls over expenditures for facility improvements at closing installations need to be strengthened. Interpretations on the need for facility improvements varied widely, specifically in the absence of criteria for project approval. On July 1, 1991, the Commission recommended closing or realigning another 82 installations in addition to the 145 installations previously scheduled for closure or realignment. Closing military installations will be an ongoing process throughout the 1990's, and every effort should be made to conserve available resources.

## RECOMMENDATIONS, MANAGEMENT COMMENTS, AND AUDIT RESPONSE

### 1. We recommend that the Assistant Secretary of Defense (Production and Logistics):

a. Issue guidance on performing only essential real property maintenance and repairs of facilities at installations that have been both designated and proposed for closing. Specifically, this guidance should include:

(1) A definition of what constitutes essential real property maintenance and repair, for example, mission essential or otherwise needed for health, safety, and security reasons.

(2) A requirement for performing a comprehensive review and validation of ongoing and planned facility improvement projects and for canceling or reducing the scope of unessential work.

(3) A requirement to delay low priority facility work at installations proposed for closing.

(4) Dollar thresholds for project approval at the installation and major command level.

(5) Identification of low-cost alternatives for facility maintenance and repair such as self-help programs.

(6) Designation of a senior installation official who is accountable for enforcing guidelines on essential facility improvement projects and for project approval.

b. Review the Air Force methodology for determining civil engineering personnel requirements at closing installations, and

issue uniform DoD guidance for determining and adjusting personnel requirements as facility work load diminishes.

Management comments. The Principal Deputy Assistant Secretary of Defense (Production and Logistics) did not respond to Recommendation B.1.

Audit response. We request that the Principal Deputy respond to the final report, indicating concurrence or nonconcurrence with the recommendation, and provide an estimated completion date, as required by DoD Directive 7650.3. Draft report Recommendation B.1.c., on reporting the lack of internal controls as a material internal control weakness was deleted.

2. We recommend that the Comptroller of the Department of Defense:

a. Provide appropriate input to the Assistant Secretary of Defense (Production and Logistics) on the development of guidelines and criteria for facility improvements at closing installations outlined in Recommendation B.1.a.

Management comments. The Director for Construction, Office of the Comptroller of the Department of Defense concurred with the facts of the report and stated that it provides a good check and balance to the Service efforts in implementing the 1988 Commission's recommendations. From the Director's perspective, the Services have made great strides in developing a systematic approach in closing bases and creating the infrastructure necessary at those bases, which gain personnel and mission. The lessons learned from the first round of basing actions will be invaluable in implementing the 1991 Commission's recommendations.

Audit response. We consider the Director's comments to Recommendation B.2.a. to be partially responsive. The Director did not say whether he concurred or nonconcurred with the recommendation. We request that the Director respond to the final report, indicating concurrence or nonconcurrence with the recommendation and provide a completion date, as required by DoD Directive 7650.3.

b. Review funding requests at closing installations to ensure that facility improvements are developed in accordance with guidance issued upon implementation of Recommendation B.1.a.

Management comments. The Director for Construction, Office of the Comptroller of the Department of Defense did not respond to Recommendation B.2.b.

Audit response. We request that the Director respond to the final report, indicating concurrence or nonconcurrence with the recommendation and provide an estimated completion date, as required by DoD Directive 7650.3. Because funds had not been obligated, we have deleted draft report Recommendation B.2.c.

#### Other Management Comments

The Assistant Secretary of the Navy (Installations and Environment) stated that the Navy canceled 22 projects and reduced the scope of 4 additional projects estimated to cost \$7.9 million at Naval Station Puget Sound (Sand Point).

The Deputy Director for Bases and Units, Office of the Assistant Secretary of the Air Force (Manpower, Reserve Affairs, Installations, and Environment) stated that the Air Force canceled two projects at Pease Air Force Base and returned \$550,000 to the Comptroller of the Air Force.

The Deputy Comptroller, Defense Logistics Agency stated that eight projects costing \$66,100 were canceled.

The Deputy Commander (Installations), Military District of Washington stated that five unnecessary projects costing \$561,500 were canceled.

#### STATUS OF RECOMMENDATIONS

<u>Number</u>	<u>Addressee</u>	<u>Response Should Cover</u>		<u>Completion Date</u>	<u>Related Issues</u>
		<u>Concur/ Nonconcur</u>	<u>Proposed Action</u>		
1.a.	ASD(P&L)	X	X	X	
1.b.	ASD(P&L)	X	X	X	
2.a.	Comptroller of the DoD	X	X	X	
2.b.	Comptroller of the DoD	X	X	X	

### PART III - ADDITIONAL INFORMATION

- APPENDIX A - Projects Affected by Force Structure Changes
- APPENDIX B - Project Relationship to Base Closure
- APPENDIX C - Projects and Facility Planning Criteria
- APPENDIX D - Projects and Existing Facilities
- APPENDIX E - Projects and Administrative Calculations
- APPENDIX F - Computation of Monetary Benefits
- APPENDIX G - Summary of Potential Benefits Resulting from Audit
- APPENDIX H - Activities Visited or Contacted
- APPENDIX I - Report Distribution



# APPENDIX A - PROJECTS AFFECTED BY FORCE STRUCTURE CHANGES

	<u>Estimated Cost (000)</u>	<u>Amount Unsupported Per Audit (000)</u>	<u>Amount Command Agreed With (000)</u>	<u>Difference (000)</u>
<u>Projects by Location</u>				
<u>Naval Station Pearl Harbor</u>				
Pier/Shore Improvements	\$45,000	\$45,000	\$ 0	\$0 */
Fleet Personnel Support	3,300	3,300	3,300	0
Club Expansion	2,700	2,700	2,700	0
Applied Training Facility	1,600	1,600	0	0 */
Supply Support Facilities	<u>530</u>	<u>530</u>	<u>530</u>	<u>0</u>
Total	<u>\$53,130</u>	<u>\$53,130</u>	<u>\$6,530</u>	<u>\$0</u>

\*/ Navy officials nonconcurred with recommendations contained in Final Quick-Reaction Report No. 91-073. We did not press for implementation of the audit recommendations because the opportunity to avoid these questionable costs of \$46.6 million was lost.





## APPENDIX B - PROJECT RELATIONSHIP TO BASE CLOSURE

<u>Projects by Location</u>	<u>Estimated Cost (000)</u>	<u>Amount Unsupported Per Audit (000)</u>	<u>Amount Command Agreed With (000)</u>	<u>Difference (000)</u>
<u>AAFES-March AFB</u>				
Exchange Distribution Center	\$ 9,600	\$ 608	\$ 608	\$ 0 <sup>1/</sup>
Exchange Center Expansion	5,090	3,322	890	2,432
Military Clothing Sales	2,430	547	547	0
Exchange Convenience Store	1,275	273	273	0
<u>AAFES-Cannon AFB</u>				
Military Clothing Sales	560	352	352	0
Exchange Convenience Store	830	106	106	0
Exchange Center Expansion	1,300	1,300	1,300	0
<u>AAFES - Mountain Home AFB</u> <sup>2/</sup>				
Exchange Center Expansion	4,180	3,056	N/A	3,056
<u>Defense Commissary-Cannon AFB</u>				
Commissary	3,100	1,270	0	1,270
<u>Defense Commissary-Mountain</u> <sup>2/</sup>				
<u>Home AFB</u>				
Commissary	<u>2,300</u>	<u>250</u>	<u>N/A</u>	<u>250</u>
Total	<u>\$30,665</u>	<u>\$11,084</u>	<u>\$4,076</u>	<u>\$7,008</u>

<sup>1/</sup> The Air Force further deleted an estimated \$6.5 million from the exchange distribution center.

<sup>2/</sup> Air Force base realignment program office did not agree or disagree with interim results of audit due to additional force structure changes that were being considered at Mountain Home AFB.



## APPENDIX C - PROJECTS AND FACILITY PLANNING CRITERIA

<u>Projects by Location</u>	<u>Amount Estimated Cost (000)</u>	<u>Amount Unsupported Per Audit (000)</u>	<u>Command Agreed With (000)</u>	<u>Difference (000)</u>
<u>March AFB</u>				
Aeromedical Evacuation Training Facility	\$ 2,400	\$1,440	\$ 0	\$1,440
Precision Measurement Lab	1,700	241	241	0
Storage Facility Alterations	700	179	179	0
Squadron Operations Facility	1,400	123	23	100
Aerial Port Training Facility	2,200	103	0	103
Medical Training Facility	1,300	286	0	286
<u>Cannon AFB</u>				
Squadron Operation/ Maintenance Facility	3,200	987	0	987
Squadron Operation/ Maintenance Facility	3,200	987	0	987
<u>Mountain Home AFB */</u>				
Squadron Operation/ Maintenance Facility	2,000	206	N/A	206
Squadron Operation/ Maintenance Facility	3,150	499	N/A	499
Squadron Operation/ Maintenance Facility	1,100	163	N/A	163
Dining Hall	3,600	878	N/A	878
<u>Naval Station Puget Sound</u>				
Family Services Center	<u>2,500</u>	<u>160</u>	<u>160</u>	<u>0</u>
Total	<u>\$28,450</u>	<u>\$6,252</u>	<u>\$603</u>	<u>\$5,649</u>

\*/ Air Force base realignment program office did not agree or disagree with interim results of audit due to additional force structure changes that were being considered at Mountain Home AFB.



# APPENDIX D - PROJECTS AND EXISTING FACILITIES

<u>Projects by Location</u>	<u>Estimated Cost (000)</u>	<u>Amount Unsupported per Audit (000)</u>	<u>Amount Command Agreed With (000)</u>	<u>Difference (000)</u>
<u>March AFB</u>				
Aircraft Maintenance Buildings	\$2,500	\$496	\$ 0	\$496
<u>Naval Station Puget Sound</u>				
Building No. 5 Renovation	<u>3,500</u>	<u>169</u>	<u>169</u>	<u>0</u> <sup>*/</sup>
Total	<u>\$6,000</u>	<u>\$665</u>	<u>\$169</u>	<u>\$496</u>

<sup>\*/</sup> Personnel originally planned to be located in this facility were relocated to other locations as a result of the planned closure of Naval Station Puget Sound. Accordingly, the Navy canceled the entire \$3.5 million project.



APPENDIX E - PROJECTS AND ADMINISTRATIVE CALCULATIONS

<u>Projects by Location</u>	<u>Estimated Cost (000)</u>	<u>Amount Unsupported Per Audit (000)</u>	<u>Amount Command Agreed With (000)</u>	<u>Difference (000)</u>
<u>March AFB</u>				
Aircraft Maintenance Hanger	\$7,100	\$558	\$ 0	\$558
<u>Cannon AFB</u>				
Shop Service Center	690	183	0	183
<u>Naval Station Puget Sound</u>				
Exchange/Maxi Mart	<u>1,100</u>	<u>151</u>	<u>151</u>	<u>0</u>
Total	<u>\$8,890</u>	<u>\$892</u>	<u>\$151</u>	<u>\$741</u>





APPENDIX F - COMPUTATION OF MONETARY BENEFITS

<u>Location</u>	<u>Amount of Benefit (000)</u>
Naval Station Puget Sound, Sand Point	\$ 480 <sup>1/</sup>
Subtotal	<u>\$ 480</u>
 Cannon AFB	 5,185 <sup>2/</sup>
March AFB	8,176 <sup>3/</sup>
Mountain Home AFB	<u>5,052 <sup>4/</sup></u>
Subtotal	<u>\$18,413</u>
 Total	 <u>\$18,893</u>

- <sup>1/</sup> See Appendix C,D, and E  
<sup>2/</sup> See Appendix B,C, and E  
<sup>3/</sup> See Appendix B,C,D, and E  
<sup>4/</sup> See Appendix B and C



## APPENDIX G - SUMMARY OF POTENTIAL BENEFITS RESULTING FROM AUDIT

<u>Recommendation Reference</u>	<u>Description of Benefit</u>	<u>Amount and/or Type of Benefit</u>
A.1.a. b. c.	Internal Control. These recommendations contribute to eliminating unsupported projects and using the proper types of funds for supported projects.	Nonmonetary
2.	Economy and Efficiency. Construction requirements are not supported by realignment actions.	One-time funds of <sup>*/</sup> \$18.9 million put to better use for FY 1990, DoD Base Closure Account 970/50103
3.a.(1)through(3)	Internal Control. These recommendations contribute to eliminating unsupported projects.	Nonmonetary
3.b. c. d.	Economy and Efficiency. Construction requirements are not supported by realignment actions.	Included in A.2. Nonmonetary

<sup>\*/</sup> During our audit, we identified \$95.2 million in unsupported projects. Of that amount, \$53.1 million had already been reported in Report No. 91-073, April 30, 1991. The balance of \$42.1 million was claimed in the draft report. Savings of \$22.4 million associated with Beale AFB were deleted, \$800,000 originally questioned at Naval Station Puget Sound is no longer applicable and therefore not claimed, which results in \$18.9 million claimed in this report.

**APPENDIX G - SUMMARY OF POTENTIAL BENEFITS RESULTING FROM AUDIT**  
**(cont'd)**

<u>Recommendation Reference</u>	<u>Description of Benefit</u>	<u>Amount and/or Type of Benefit</u>
A.4.a. b. c.	Economy and Efficiency. Construction requirements are not supported by realignment actions.	Included in A.2. Nonmonetary
A.4.d.	Compliance. This recommendation contributes to eliminating unsupported projects.	Nonmonetary
B.1.a.(1)through(6)	Internal Control. These recommendations contribute to eliminating unessential real property improvements at closing installations.	Nonmonetary
B.1.b.	Internal Control. This recommendation contributes to closing the installations in an efficient manner.	Nonmonetary
2.a. b.	Internal Control. These recommendations contribute to eliminating unessential real property improvements at closing installations.	Nonmonetary

APPENDIX G - SUMMARY OF POTENTIAL BENEFITS RESULTING FROM AUDIT  
 (cont'd)

<u>Recommendation Reference</u>	<u>Description of Benefit</u>	<u>Amount and/or Type of Benefit</u>
B.3. through B.6.	Economy and Efficiency. Facility improvement projects are not essential at closing bases.	Funds of \$9.1 million */ put to better use

\*/ Distribution of benefits:

Army, MDW (Cameron Station): \$0.56 million for FY 1990  
through FY 1992, O&M Account 21X/2020

Navy, Naval Station Puget Sound: \$0.1 million for FY 1990  
and FY 1991, O&M Account 17X/1804

Navy, Naval Station Puget Sound: \$7.8 million for FY 1994  
Military Construction Account 17X/1205

Air Force, Pease AFB: \$550,000 for FY 1990 and FY 1991, O&M  
Account 57X/3400

DLA, Cameron Station: \$66,100 for FY 1990 and FY 1991 O&M  
Account 97X/0100



## APPENDIX H - ACTIVITIES VISITED OR CONTACTED

### Office of the Secretary of Defense

Comptroller of the Department of Defense, Washington, DC  
Assistant Secretary of Defense (Health Affairs)  
Defense Medical Facilities Office, Falls Church, VA  
Deputy Assistant Secretary of Defense (Installations), Office of  
the Assistant Secretary of Defense (Production and Logistics),  
Washington, DC

### Department of the Army

Army Chief of Staff, Washington, DC  
Military District of Washington, DC  
Cameron Station, Alexandria, VA  
Kapalama Reservation, Honolulu, HI  
Western Command, Fort Shafter, Honolulu, HI  
U.S. Army Corps of Engineers, Washington, DC

### Department of the Navy

Commander in Chief, Pacific Fleet Command, Pearl Harbor, HI  
Deputy Chief of Naval Operations (Logistics),  
Washington, DC  
Headquarters, Naval Facilities Engineers, Alexandria, VA  
Naval Facilities Engineers, Western Division,  
Bremerton, WA  
Naval Station, Pearl Harbor, HI  
Naval Station Puget Sound, Everett, WA  
Naval Station Puget Sound, Sand Point, WA  
Navy Resale and Services Support Office, Staten Island, NY

### Department of the Air Force

Deputy Chief of Staff (Programs and Resources),  
Washington, DC  
Headquarters, Tactical Air Command, Hampton, VA  
Headquarters, Strategic Air Command, Omaha, NE  
Headquarters, Air Training Command, San Antonio, TX  
Headquarters, Military Airlift Command, Bellville, IL  
Headquarters, Air Force Reserves, Warner-Robins, GA  
Pease Air Force Base, Portsmouth, NH  
Cannon Air Force Base, Clovis, NM  
Mountain Home Air Force Base, Mountain Home, ID  
Air National Guard Engineering and Services Directorate,  
Andrews AFB, MD  
New Hampshire Air National Guard, Portsmouth, NH  
Beale Air Force Base, Marysville, CA

APPENDIX H - ACTIVITIES VISITED OR CONTACTED (cont'd)

Department of the Air Force (Continued)

March Air Force Base, Riverside, CA  
Mather Air Force Base, Sacramento, CA  
Headquarters, Air Force Audit Agency, San Bernardino, CA  
Norton Air Force Base, San Bernardino, CA  
Headquarters, Air Force Commissary Service, San Antonio, TX

Other

Headquarters, Army and Air Force Exchange Service, Dallas, TX  
Headquarters, Defense Logistics Agency, Alexandria, VA



## APPENDIX I - REPORT DISTRIBUTION

### Office of the Secretary of Defense

Under Secretary of Defense for Acquisition  
Assistant Secretary of Defense (Production and Logistics)  
Comptroller of the Department of Defense  
Deputy Assistant Secretary of Defense (Installations), Office of  
the Assistant Secretary of Defense (Production and Logistics)

### Department of the Army

Secretary of the Army  
Assistant Secretary of the Army (Financial Management)  
Assistant Secretary of the Army (Installations and Logistics)  
Auditor General, U.S. Army Audit Agency

### Department of the Navy

Secretary of the Navy  
Commander in Chief, U.S. Pacific Command  
Assistant Secretary of the Navy (Financial Management)  
Assistant Secretary of the Navy (Installations and Environment)  
Comptroller of the Navy  
Auditor General, Naval Audit Service

### Department of the Air Force

Secretary of the Air Force  
Assistant Secretary of the Air Force (Financial Management and  
Comptroller)  
Assistant Secretary of the Air Force (Manpower, Reserve Affairs,  
Installations and Environment)  
Director, Air Force Audit Agency

### Defense Agencies

Director, Defense Logistics Agency

### Other Defense Organizations

Commander, Army and Air Force Exchange Service  
Director, Defense Commissary Agency

APPENDIX I - REPORT DISTRIBUTION (cont'd)

Non-DoD Activities

Office of Management and Budget  
U.S. General Accounting Office,  
NSIAD Technical Information Center

Congressional Committees:

Senate Subcommittee on Defense, Committee on Appropriations  
Senate Committee on Armed Services  
Senate Committee on Governmental Affairs  
Ranking Minority Member, Senate Committee on Armed Services  
House Committee on Appropriations  
House Subcommittee on Defense, Committee on Appropriations  
Ranking Minority Member, House Committee on Appropriations  
House Committee on Armed Services  
House Committee on Government Operations  
House Subcommittee on Legislation and National Security,  
Committee on Government Operations

PART IV - MANAGEMENT COMMENTS

Assistant Secretary of Defense (Production and Logistics)

Comptroller of the Department of Defense

Department of the Navy

Department of the Air Force

Defense Logistics Agency

Headquarters, Army and Air Force Exchange Service

U.S. Army Military District of Washington



ASSISTANT SECRETARY OF DEFENSE (PRODUCTION AND LOGISTICS)  
COMMENTS



THE ASSISTANT SECRETARY OF DEFENSE

WASHINGTON DC 20301-8000

SEP 11 1991

MEMORANDUM FOR DEPARTMENT OF DEFENSE INSPECTOR GENERAL

SUBJECT: DoD IG Draft Report on the Audit of DoD Base  
Realignment and Closures (Project OCG-0031)  
dated June 27, 1991

This is in response to your request for our review and  
comment on the subject draft audit report.

The draft report recommends the issuance of additional base  
closure and realignment implementation guidance, more internal  
controls and better enforcement of existing internal controls.  
These recommendations are based upon findings that some  
construction projects were unsupported due to changes in force  
structure, some facility improvements were not related to  
realignment or closure actions, facility investment criteria were  
incorrectly applied and administrative errors occurred.

I partially concur with the draft report findings and  
recommendations. While some of the projects the IG identified  
may not have been adequately supported, depending on definitions  
of what is "minimum essential" or "prudent" decision making,  
others were. In any case, I am satisfied that our current  
procedures and guidance are sufficient and that there are no  
internal control weaknesses. We have either already issued the  
guidance recommended in the IG's report or made a conscious  
decision not to issue guidance which overly restricts the  
authority the Services require to carry out their  
responsibilities. The "mistakes" uncovered by this audit would  
not have been prevented by additional procedures or guidance. I  
would note that none of the projects were actually built.

The DoD Base Closure Account Fund Distribution and  
Accounting guidance issued by the Comptroller on January 3, 1990,  
and the DoD Base Closure Account Policy and Responsibilities  
guidance issued by the undersigned on January 18, 1990, in  
conjunction with standard DoD budget and budget execution  
policies and procedures, provide direction consistent with good  
management. The Department's guidance allows the Services  
flexibility to tailor the procedures to fit their unique mission  
and base requirements.

ASSISTANT SECRETARY OF DEFENSE (PRODUCTION AND LOGISTICS)  
COMMENTS (CONT'D)

2

The Department's guidance is also quite specific, when appropriate. For instance, paragraph "K" of the DoD Base Closure Account Policy and Responsibility guidance specifically encourages the use of conjunctive funding as this draft report recommends. The Department's guidance is also very clear that Base Closure Account funds shall only be used to fund actions directly related to the base closures and realignments.

All of your recommendations require more procedures and guidance. More procedures and guidance are not the answer. Rather, we should continue to build upon our experience and maintain the flexibility to operate efficiently and effectively within a Department that is dealing with substantial force structure and budget reductions. I do, however, recognize that additional oversight may be required over the existing procedures.

I request that you amend your report to delete recommendations for additional guidance and procedures. I appreciate your efforts to ensure that the Department's implementation of base closures and realignments is conducted efficiently and effectively.



DAVID J. BERTEAU  
PRINCIPAL DEPUTY ASD(P&L)

# COMPTROLLER OF THE DEPARTMENT OF DEFENSE COMMENTS.



OFFICE OF THE COMPTROLLER OF THE DEPARTMENT OF DEFENSE

WASHINGTON, DC 20301-1100

SEP - 9 1991

(Program/Budget)

## MEMORANDUM FOR OFFICE OF THE INSPECTOR GENERAL, DEPARTMENT OF DEFENSE

SUBJECT: Draft Report on the Audit of DoD Base Realignment and Closures

The draft report appears to be factual and provides a good check and balance to the Service efforts in implementing the 1988 Commission's recommendations. From my perspective, the Services have made great strides in developing a systematic approach in closing bases and creating the infrastructure necessary at those bases which gain people and mission. The lessons learned from the first round of basing actions will be invaluable in implementing the 1991 Commission's recommendations.

The recommendation involving the Comptroller, that of adjusting the funding of the Navy and Air Force based on the audit results, had largely been accomplished either through the FY 1992 and FY 1993 budget review process, or through the Services' own initiatives. In those cases where further adjustments are necessary, my staff will work with the various Base Closure Offices, established by Navy and Air Force, to implement the intent of your audit and duly inform your staff as to the progress.

A handwritten signature in dark ink, appearing to read "B. R. Paseur".

B. R. Paseur  
Director for Construction





## DEPARTMENT OF THE NAVY COMMENTS



DEPARTMENT OF THE NAVY  
OFFICE OF THE SECRETARY  
WASHINGTON DC 20350 1000

26 August 1991

### MEMORANDUM FOR DEPARTMENT OF DEFENSE INSPECTOR GENERAL

Subj: DRAFT REPORT ON THE AUDIT OF DOD BASE REALIGNMENT AND  
CLOSURES, PROJECT NO. OCG-0031 - ACTION MEMORANDUM

The opportunity to comment on the draft audit report forwarded by Inspector General, Department of Defense memo of 27 June 1991 is appreciated. Many of the issues raised in this memo with regard to facilities requirements at Naval Station Pearl Harbor and Naval Station Puget Sound were initially identified in Inspector General, Department of Defense memo of 30 April 1991; a quick-reaction report. In response to the latter memo, Under Secretary of the Navy memo of 23 May 1991 outlined the revisions incorporated by the Navy in budget estimates as a result of inter-departmental review. It also addressed those recommendations contained in the quick-reaction report with which the Navy did not concur.

In part, TAB A provides a reiteration of the Department of the Navy's position, originally provided in the Under Secretary's 23 May memo. TAB A does provide concurrence in principle with some of the recommendations contained in the DODIG Draft Audit Report; however, the Department of the Navy continues to contend that certain recommendations are invalid.

  
JACQUELINE E. SCHAFER  
Assistant Secretary of the Navy  
(Installations & Environment)

TAB A- Navy Comments on DODIG Draft Audit Report

# DEPARTMENT OF THE NAVY COMMENTS (CONT'D)

Final Report  
Page Number

Department of the Navy Response  
to  
DODIG Draft Report of June 27, 1991  
on  
DOD Base Realignment and Closures  
Project No. OCG-0031

## PART I - PRIOR AUDITS AND OTHER REVIEWS.

### Finding. Naval Station Pearl Harbor, HI.

During the current audit, Quick-Reaction Report No. 91-073 "Audit of DOD Base Realignment and Closures," April 30, 1991 was issued. It was reported that force reduction actions have negated the need for realignment projects estimated to cost about \$53.1 million at the Naval Station Pearl Harbor, HI. After the Deputy Secretary of Defense signed Program Budget Decision No. 011 to deactivate the Navy's two remaining battleships, work continues on contracts for new facilities to houseport the battleship, and additional contracts were pending award. It was recommended that management cancel construction projects that were no longer supported by realignment actions and reduce expenditures to the Base Closure account. Navy officials cancelled three projects (at \$6.5 million), but nonconcurred with recommendations to terminate the pier and shore improvements contract, to reduce the scope of an applied instruction facility addition, and to repay the base closure account for funds expended on the pier.

After the report was issued, Navy determined that termination costs for the pier and shore improvement project and redesign costs for the applied instruction facility would exceed the costs for the two projects. Because opportunity to avoid questionable costs was lost, the DODIG decided not to press for implementation of the audit recommendations. (pages 7 & 8, see also PART II page 13 and APPENDIX A)

DON Position. Navy maintains the position stated in previous responses to issues raised by Quick-Reaction Report No. 91-073. The Under Secretary of the Navy stated the Navy's nonconcurrence to the Department of Defense Inspector General in a memorandum dated May 23, 1991. The Secretary of the Navy further elaborated on the Navy's reasons for nonconcurrence in a memorandum to the Deputy Secretary of Defense dated May 23, 1991.

The Navy nonconcurred with the recommendations previously made by the DoDIG to terminate the pier and shore improvements contract and to repay the base closure account for funds expended because base closure account funds were legally obligated at the time the contract was awarded.

1

TAB A

4 & 7

## DEPARTMENT OF THE NAVY COMMENTS (CONT'D)

Final Report  
Page Number

Additionally, no transfer authority exists to repay the base closure account. The decision to continue construction and to not terminate was made on the basis of sound business practice. Termination, even early on, would have resulted in an investment of a minimum of \$9 million with no apparent benefit. Currently, termination cost for the pier and shore improvements contract equal the full contract value of approximately \$28 million.

No savings to the base closure account would result from the expenditure of approximately \$50,000 to redesign the applied instruction facility addition in order to achieve a 340 square feet reduction to a completed design. Savings obtained by not constructing this minor amount of space, at the current construction cost of \$133.50 per square feet for Pearl Harbor, would be negatively offset by the redesign cost. Redesign would additionally result in unnecessary delays to operational availability.

### PART II - FINDINGS AND RECOMMENDATIONS

Facility Requirements Estimates.

Estimating Criteria.

Finding. Naval Station Puget Sound (Everett), WA.

Navy personnel changed the criteria used to calculate the requirements for the Family Service Center. The "Facility Planning Criteria for Navy and Marine Corps Shore Installations (NAVFAC P-80)" was originally used to calculate requirements for the Family Service Center. Subsequently, Military Handbook 1190 (MIL-HDBK-1190) was used for requirements. MIL-HDBK-1190 allows more square footage. A Naval Facilities Engineering Command memorandum dated April 1, 1988 states that FY 1990 projects not yet at 35 percent design stage and submitted under NAVFAC P-80 should not be increased in scope to meet MIL-HDBK-1190 criteria. The scope of the Family Service Center project (P-304R) should be reduced by 5,687 square feet and \$985,000 in base closure funds. In addition, conflicts in facility requirement criteria contained in NAVFAC P-80 and MIL-HDBK-1190 need to be resolved. (pgs. 19, 20; see also APPENDIX C)

DON Position. Do not concur with audit finding. CNO Memorandum to DOD IG Ser 441D1/OU597763, dated 5 December 1990, previously stated the Navy's nonconcurrency. Requirements for this project were originally developed using NAVFAC P-80. When new guidance provided that facility requirements should be examined from the MIL-HDBK-1190 criteria, the requirement for this FY 1991 project was reviewed. The determination was that requirements should be recalculated based on MIL-HDBK-1190 when it became apparent that developing requirements based solely on P-80 would result in an inadequately-sized Family Service Center. The current scope of the facility is the result of applying updated criteria, which is generated through a Navy Demand Analysis. This

Deleted

## DEPARTMENT OF THE NAVY COMMENTS (CONT'D)

Final Report  
Page Number

method considers utilization based on both population size and demand, and results in the current 9,643 square feet scope for the Family Services Center. The current scope of the center is sized to accommodate functions not normally included in other family service facilities. The lack of on-site housing at Naval Station Everett, WA, increases the need for a fully-staffed housing referral service. The medical counseling service is being transferred to and will be included as part of the family services functions. Other smaller services, such as the Red Cross, Navy Relief, and Relocation Service functions are being included in the scope of the Family Services Center. These smaller services are also not typically located in the center at other locations.

NAVFAC memorandum of April 1, 1988 which promulgated MIL-HDBK-1190 replacement of P-80 stated, in its relevant part: "Do not revise BFRs for FY-90 projects not yet at 35 percent design solely on the basis of new criteria in the Military Handbook. The activity must certify that a revised scope or requirement is necessary to support their mission" (emphasis added). In context, the NAVFAC memorandum does not prohibit changes to project scope, but encourages review of mission support requirements. Applicability of the memorandum cited by the DODIG is questionable since the Family Services Center is a FY 1991 project, not a FY 1990 project, and should base the facility scope on MIL-HDBK-1190.

The review and revalidation process has resulted in the scope of the current facility at 13,086 SF (9,643 SF Family Services Center and 3,443 SF Thrift Shop). The current scope reflects a reduction of 1,234 SF from size stated on the original project documentation, and an estimated savings of \$160,000 is anticipated. This revised facility meets the needs of the user and conforms to current guidance for determining facility scope.

### Use of Existing Facilities.

Finding. Naval Station Puget Sound (Everett), WA.

Installation officials did not consider using existing facilities in developing requirements, as required by NAVFAC P-80. It should be determined if existing space is available, and if so, whether it can be used to meet realignment requirements. The use of existing facilities at Naval Station Puget Sound could save the need to renovate space for Navy Reserve personnel at a savings of \$169,000. (pgs. 20, 21; see also APPENDIX D)

DOM Position. Nonconcur with findings; concur with potential cost avoidance. Examination of the use of existing facilities to support the installation realignment is part of the ongoing Navy review and revalidation process. As a result of this process, done independently of the DODIG audit, it has been determined that the renovation of Building No. 5 for Navy Reserve Personnel is not necessary. The

3

TAB A

9 & 10

DEPARTMENT OF THE NAVY COMMENTS (CONT'D)

Final Report  
Page Number

personnel originally planned to be located in this building will instead be relocated at other installations as a result of the planned closure of Naval Station Puget Sound (Sand Point), WA. Since the renovation of Building No. 5 is no longer necessary, the cost avoidance has therefore increased from the DODIG estimate of \$169,000 to \$3,500,000.

**RECOMMENDATIONS**

**Recommendation 4.**

The Assistant Secretary of the Navy (Installations & Environment), should:

- a. Require the maximum use of existing facilities before construction requirements are submitted for base closure funding.
- b. Reevaluate and reduce the scope of facility requirements for Navy projects listed in Appendixes A and C through E. Submit revised DD Forms 1391, "Military Construction Project Data", for base closure funding.
- c. Use conjunctive funding methods to satisfy facility requirements that are not fully related to realignment actions.
- d. Compare facility requirements criteria in Naval Facilities Engineering Command P-80, "Facility Planning Criteria for Navy and Marine Corps shore Installations," with facility requirements criteria in MIL-HDBK-1190, "Facility Planning and Design Guide," and resolve conflicts in criteria. (pgs. 25 and 26)

**DON Position.** Concur in principle; additional details as follows:

a. Navy planning and programming procedures require that the maximum use of existing facilities be examined at various stages before construction requirements are submitted for funding. The evaluations are carefully reviewed by the chain of command. Since eligibility for base closure funding is narrowly-defined and well-understood, facility criteria and project scopes are constantly reviewed for validity and conformance. Prior to construction, validity is rechecked against current activity requirements to ensure the maximum use of existing facilities.

b. The scope of facility requirements for Navy projects listed in Appendixes A and C through E have been reevaluated. Since the scopes of the projects identified have not changed, revised DD Forms 1391, (Military Construction Project Data), for base closure funding are not required.

## DEPARTMENT OF THE NAVY COMMENTS (CONT'D)

Final Report  
Page Number

c. Where applicable, conjunctive funding methods will be used to satisfy facility requirements which are not fully related to realignment actions.

d. Navy is lead service for a Department of Defense effort, begun in 1987, to revise facility design criteria. This effort will result in revisions to MIL-HDBK-1190, "Facility Planning and Design Guide," and will also resolve differences in facility criteria guidance between MIL-HDBK-1190 and the Naval Facilities Engineering Command P-80, (Facility Planning Criteria for Navy and Marine Corps Shore Installations).

The new criteria is based on actual needs and is based on Navy Demand Analysis, which shifts the emphasis from scope and size based solely on population, to facility requirements based on and adjusted for location, utilization, demand, types, and many other conditions. A draft standard is currently nearing the end of development and is being tested under actual applications.

### B. FACILITY IMPROVEMENTS AT CLOSING INSTALLATIONS

Real Property Maintenance and Repair.

Finding. Naval Station Puget Sound (Sand Point), WA.

When the Commission recommended partial closure of Naval Station Puget Sound (Sand Point), WA, at least 38 buildings at Sand Point were scheduled to be vacated by FY 1992. Subsequently, complete closure has been recommended and 39 projects totaling \$10.6 million were reviewed. It was found that 26 planned facility improvement real property maintenance and repair projects costing \$7.9 million were not needed. These projects were for buildings scheduled to be vacated, the original justifications had not been revalidated, and the projects were not mission-essential or needed for other reasons.

Installation personnel agreed to cancel 22 projects and reduce the scope of four others, for a cost avoidance of \$7.9 million. The DODIG recommended that other low priority work be delayed until a final decision is made on the full closure of Sand Point. (pgs. 31-33)

DON Position. Concur in principle. The Navy is reviewing the requirements necessary to maintain and operate facilities at the minimum level of need for Naval Station Puget Sound (Sand Point), in light of the proposed closure of the installation. After the final approval for closure is made and a timeline for the closure is determined, then Navy will then proceed with only those maintenance and repair projects minimally required to ensure proper operations in accordance with the closure schedule.

### APPENDIX A - PROJECTS AFFECTED BY FORCE STRUCTURE CHANGES

5

TAB A

19 & 20

## DEPARTMENT OF THE NAVY COMMENTS (CONT'D)

### DODIG Finding.

	Naval Station Pearl Harbor (\$000)			
	Est. Cost	Amount Unsupported	Command Agreed	Difference
Projects Total	53,130	68,957	6,530	46,600

DON Position. The Navy has already cancelled the requirement for the Fleet Support Facility, Club Expansion, and Supply/Support Facility projects for a cost avoidance of \$6,530,000. The Navy's response for the Pier & Shore Improvements and Applied Instruction Facility Addition projects totaling \$46,600,000 is provided elsewhere in this document.

### APPENDIX C - PROJECTS THAT EXCEEDED FACILITY PLANNING CRITERIA

#### DODIG Finding

	Naval Station Puget Sound (\$000)			
	Est. Cost	Amount Unsupported	Command Agreed	Difference
Family Services Center	2,500	985	160	\$25

DON Position. The Navy's response to the findings for the Family Service Center is provided elsewhere in this document.

### APPENDIX D - PROJECTS DEVELOPED WITHOUT CONSIDERING EXISTING FACILITIES

#### DODIG Finding

	Naval Station Puget Sound (\$000)			
	Est. Cost	Amount Unsupported	Command Agreed	Difference
Bldg No.5 Renovation	3,500	169	3,500	-0-

DON Position. The Navy's response to Building No.5 Renovation findings is provided elsewhere in this document.

### APPENDIX E - PROJECTS WITH ADMINISTRATIVE ERRORS

#### DODIG Finding

	Naval Station Puget Sound (\$000)			
	Est. Cost	Amount Unsupported	Command Agreed	Difference
Exchange/Maximart	1,100	151	151	-0-

DON Position. The Navy concurs with the finding that \$151,000 cost can be avoided for the Exchange /Maximart facility.

### APPENDIX G - SUMMARY OF POTENTIAL MONETARY AND OTHER BENEFITS RESULTING FROM AUDIT

The Navy's response to potential benefits to be achieved through implementation of the DODIG's recommendations is stated elsewhere in this document.







DEPARTMENT OF THE AIR FORCE  
HEADQUARTERS UNITED STATES AIR FORCE  
WASHINGTON DC

30 AUG 1991

MEMORANDUM FOR THE ASSISTANT FOR AUDIT LIAISON AND FOLLOW-UP  
(FINANCIAL MANAGEMENT)  
OFFICE OF THE ASSISTANT SECRETARY OF THE AIR  
FORCE

SUBJECT: Response to Draft Report on the Audit of DoD Base Realignment and  
Closure (Project OGC-0031) - ACTION MEMORANDUM

This is in reply to your 10 Jul 91 memorandum to AF/PRJM requesting comments on the findings and recommendations made in subject report. This report addresses base closure/realignment actions pursuant to the Base Closure and Realignment Act of 1988 (Public Law 100-526). As the program manager for Air Force base closures and realignments, this office is responding to your request.

As you may recall, we previously reviewed drafts of this report on three occasions. Our prior responses are attached for your reference. Based upon these earlier responses, the authors changed the report to incorporate the Air Force position or to correct inaccuracies.

Regarding this most recent draft, there are a few points that require your attention. First of all, on pages 13-17 and Appendices A, E, and F, the report addresses MILCON programs for Beale AFB, CA. A major portion of the costs for this MILCON centered upon the relocation of Undergraduate Navigator Training (UNT) from Mather AFB, CA, to Beale AFB, CA. The 1988 Base Realignment and Closure Commission had recommended that UNT realign to Beale AFB upon the closure of Mather AFB. Following that recommendation, it became apparent that more efficiencies and savings could be captured by realigning UNT to Randolph AFB, TX, instead of Beale AFB. Consequently, DOD recommended to the 1991 Defense Base Closure and Realignment Commission that UNT be realigned to Randolph AFB. The Commission approved that recommendation and, as you know, the President subsequently approved the 1991 Commission's report. We expect that Congressional approval will come in October of this year. As we expect UNT will now be realigning to a location other than Beale AFB, the report should note that those MILCON programs for Beale AFB have been rescinded.

Our second point concerns references to some of the MILCON programs at March AFB, CA. These particular programs are discussed on pages 15-17 and Appendices B and F. The majority of all of the March AFB MILCON programs stem from the increased force structure that will be at March AFB. These increases are due to the recommendations made by the 1988 Commission. As our programming and implementation efforts have progressed, the Air Force has downsized or deleted some of the planned facilities. There are two such changes that the report does not recognize. The first is a proposed addition to the Base Exchange complex. This project has been rescoped and downsized. The costs have decreased from \$5.090M to \$4.200M. The second change

Deleted

7 & 8

## DEPARTMENT OF THE AIR FORCE COMMENTS (CONT'D)

Final Report  
Page Number

is the deletion of the proposed Exchange Distribution Center. This was a planned 40,000 square foot facility with an estimated cost of \$6.545M. These changes should be noted as considerable size and cost reductions have taken place.

The third issue which should be brought to your attention concerns a recommendation to validate construction requirements. On pages 22-23 of the draft report, it is recommended in paragraph 1c. that the Assistant Secretary of Defense (Production and Logistics)

11

"Establish procedures for independently validating requirements before project funding. This validation should encompass force structure changes that may cause reductions or negations, design criteria changes, and the availability of existing facilities. Revise base closure funding accordingly."

We do not concur with that recommendation. The Air Force has instituted a stringent validation process before any of these projects are programmed or funded. The Secretary of the Air Force formed the Base Closure Executive Group (BCEG), which now reviews these proposals. The BCEG is composed of general officer and senior executive service representatives from across the Air Staff and Secretariat. The membership includes operations, civil engineering, financial management, personnel, and facilities experts. These officials review proposals associated with base closures and realignments in light of current and future requirements/priorities before validating any project. This level of expertise would be hard to match in any "independent procedure."

12

Our fourth point is centered upon Recommendation 2 on page 24 of the draft, which states

"We recommend that the Comptroller of the Department of Defense reduce the base realignment funds for Air Force by \$40.8 million and for Navy by \$1.3 million as summarized in Appendix F and detailed in Appendixes A through E."

We do not agree with that recommendation. The \$40.8M was a DOD IG estimate of unvalidated construction requirements that was based upon a regulation (AFM 86-2) which is intended to be used only as a guide. This regulation is currently being revised because of its age and outdated scope calculations. Additionally, site surveys have been conducted which have further defined the actual requirements.

Finally, on page 39 of the report, it is recommended that the Comptroller of the Department of Defense

Deleted

"Reduce funding at the Army by \$561,500; Navy by \$7,900,000; Air Force by \$596,500; and Defense Logistics Agency by \$66,100."

It should be noted that the Air Force cancelled \$550,000 in facility improvements and recreational services at Pease AFB, NH, as this base was closing. The existing "on call" facility improvement contract for military family housing and the recreational services contract were funded with Operation and Maintenance funds and were reduced by \$550,000 since the base was closing. These funds were not spent on those projects and were returned to the Comptroller of the Air Force.

DEPARTMENT OF THE AIR FORCE COMMENTS (CONT'D)

Final Report  
Page Number

since the base was closing. These funds were not spent on those projects and were returned to the Comptroller of the Air Force.

While we do not necessarily agree with all of the findings and recommendations contained in Report OGC-0031, we do note that our prior communications with the IG staff have resulted in the Air Force position being placed into the report. That being the case, we have no other comments to provide other than those addressed in this memorandum.

Air Staff points of contact for this response are Maj Jeff Curtis (AF/XOBC, 5-6766) and Mr Lester Schauer (AF/CECRB, 7-9554).



WILLIAM D. ECKERT, Col. USAF  
Deputy Director for Bases & Units  
Directorate of Operations

3 Atchs

1. AF/PRPJ ltr dtd 26 Oct 90
2. AF/PRPJ ltr dtd 7 Jan 91
3. AF/PRPJ ltr dtd 19 Jun 91

\*/  
—

\*/ Attachments are not included since they primarily applied to discussions not included in this report.



## DEFENSE LOGISTICS AGENCY COMMENTS



DEFENSE LOGISTICS AGENCY  
HEADQUARTERS  
CAMERON STATION  
ALEXANDRIA, VIRGINIA 22304-6100



IN REPLY  
REFER TO DLA-CI

11 SEP 1991

MEMORANDUM FOR ASSISTANT INSPECTOR GENERAL FOR AUDITING,  
DEPARTMENT OF DEFENSE

SUBJECT: Draft Audit Report on DoD Base Realignment and  
Closures, (Project No. OCG-0031)

This is in response to your 27 Jun 91 memorandum requesting our  
comments pertaining to the audit of DoD Base Realignment and  
Closures, (Project No. OCG-0031). The attached positions have  
been approved by Ms. Helen T. McCoy, Deputy Comptroller, Defense  
Logistics Agency.

2 Encl

*Jacqueline G. Bryant*  
JACQUELINE G. BRYANT  
Chief, Internal Review Division  
Office of Comptroller

## DEFENSE LOGISTICS AGENCY COMMENTS (CONT'D)

TYPE OF REPORT: AUDIT

DATE OF POSITION: 6 Sep 91

PURPOSE OF INPUT: INITIAL POSITION

AUDIT TITLE: DoD Base Realignments and Closures (Project No. OCG-0031)

FINDING B: Unessential facility improvement projects were completed and planned at installations scheduled for closing. Guidelines on the appropriate level of facility maintenance had not been issued, were general in nature, or were not followed. Enhancing the 'quality of life' was used to rationalize facility improvements, although installations were scheduled for closing and improvements were not likely to add value to the potential sale of property. In addition, a uniform DoD methodology has not been established to determine and adjust civil or facility engineering personnel requirements as facility work load diminishes. As a result, about 90 unessential projects, costing about \$9.6 million, were either completed or planned at three installations.

DLA COMMENTS: Non-concur.

a. Contrary to statements within report, renovations to the Cameron Station physical fitness center should not be characterized as new construction. The physical fitness center has been operational since 1983.

b. The report states that the purpose of the physical fitness center was to 'enhance the quality of life' for employees. This was not the primary reason that the center was built and expanded. The physical fitness center enhances employee health by enabling military personnel to meet physical fitness requirements mandated in DLA Manual 1300.1, Air Force Regulation 35-11, OPNAVINST 6110.1C, and Army Regulation 600-9. Also, the center complies with the intent of Federal Personnel Manual Letter 792-15 (enclosed) which encourages agencies to 'establish and operate physical fitness programs and facilities designed to promote and maintain employee health.' A five year project-life is not too short a payback period to comply with these regulations and service 170 military personnel and 3,453 civilian employees who, through the center, are provided the opportunity to improve their health and fitness.

c. The expansion of the physical fitness center in 1989-90 for both health and safety reasons increased the capacity of the center to meet high demand for improved employee health; remodeled a rusty, unhealthy shower area; and reduced concerns for safety by decreasing excess occupant load. Even now, with the expansion of the facility and hours of operation totaling 84 per week, demand exceeds capacity. A Military District of Washington (MDW) safety inspection, dated 24 May 1991, states that 'high patron usage often results in large groups waiting for equipment....' Average daily use is 400 employees, and usage exceeds 40-50 people at one time during peak hours.

d. Contrary to statements in the draft audit report, MDW guidelines for construction at Cameron Station were not available until September 1989, and could not be applied to this project. Regardless, the project does fall within these guidelines relative to alleviating health and safety concerns.

## DEFENSE LOGISTICS AGENCY COMMENTS (CONT'D)

e. The report implies that no alternatives to expanding the fitness facility were considered. This is not correct. One alternative which was evaluated was corporate membership at a private health club. The closest club is several miles away which precludes use by those employees in car pools and requires additional transportation time. Use of Army Materiel Command fitness facilities would have presented the same problem. Further, at the time alternatives were considered, civilian personnel would have been ineligible for funding related to a corporate membership.

f. Cancellation of plans and construction would have been imprudent. Congress did not approve the closing of Cameron Station until May 1989. Plans for facility expansion were underway in 1988. Money for the facility was transferred from DLA to MDW in September 1988. The contract for construction was awarded in September 1989, and construction was completed in April 1990. Under the contractual arrangement, payment would have been required for work completed.

MONETARY BENEFITS: N/A

DLA COMMENTS:

ESTIMATED REALIZATION DATE:

AMOUNT REALIZED:

DATE BENEFITS REALIZED:

### INTERNAL MANAGEMENT CONTROL WEAKNESS:

- (X) Nonconcur. (Rationale must be documented and maintained with your copy of the response.)
- ( ) Concur; however, weakness is not considered material. (Rationale must be documented and maintained with your copy of the response.)
- ( ) Concur; weakness is material and will be reported in the DLA Annual Statement of Assurance.

ACTION OFFICER: Nancy Miller, X46187, DLA-LP

PSE REVIEW/APPROVAL: Christine Gallo, DLA-LD, X46487

DLA APPROVAL: Helen T. McCoy, Deputy Comptroller

## DEFENSE LOGISTICS AGENCY COMMENTS (CONT'D)

Final Report  
Page Number

TYPE OF REPORT: AUDIT

DATE OF POSITION: 6 Sep 91

PURPOSE OF INPUT: INITIAL POSITION

AUDIT TITLE: DoD Base Realignments and Closures (Project No.  
OCG-0031)

RECOMMENDATION B.2.c: We recommend that the Comptroller of the Department of Defense reduce funding at the Army by \$561,500; Navy by \$7,900,000; Air Force by \$596,500; and Defense Logistics Agency by \$66,100

Deleted

DLA COMMENTS: Nonconcur. Savings were incurred in 1989-91. It is not logical to reduce DLA's funding by \$66,100 in subsequent years.

DISPOSITION:

- ( ) Action is ongoing; Final Estimated Completion Date:
- (X) Action is considered complete.

MONETARY BENEFITS: \$66,100

DLA COMMENTS: Nonconcur. See comments above.

ESTIMATED REALIZATION DATE: N/A

AMOUNT REALIZED: N/A

DATE BENEFITS REALIZED: N/A

INTERNAL MANAGEMENT CONTROL WEAKNESS:

- (X) Nonconcur. (Rationale must be documented and maintained with your copy of the response.)
- ( ) Concur; however, weakness is not considered material. (Rationale must be documented and maintained with your copy of the response.)
- ( ) Concur; weakness is material and will be reported in the DLA Annual Statement of Assurance.

ACTION OFFICER: Nancy Miller, DLA-LP, x46187

PSE REVIEW/APPROVAL: Christine Gallo, DLA-LD, x46487

DLA APPROVAL: Helen T. McCoy, Deputy Comptroller



## DEFENSE LOGISTICS AGENCY COMMENTS (CONT'D)

Office of Personnel Management

### Federal Personnel Manual System

FPM Letter 792-15

**SUBJECT:** Clarification of FPM Chapter 792, Federal Employees' Health and Counseling Programs

FPM Letter 792-15

Published in advance  
of incorporation in FPM

Chapter 792  
RETAIN UNTIL SUPERSEDED

Washington, D C 20415

April 14, 1986

Heads of Departments and Independent Establishments

1. The purpose of this letter is to clarify the scope of Occupational Health Programs within the Federal Government as authorized by Section 7901 of Title 5 U.S.C. This legislation authorizes agencies to establish, within the limits of appropriations, health services programs to promote and maintain the physical and mental fitness of their employees.

2. Due to a recent decision of the General Accounting Office (GAO) (B-218840), and based on consultations with both GAO and the Office of Management and Budget (OMB), it was felt that this letter, along with the rescinding of OMB Circular A-72, was needed in order to ensure that agencies were able to continue implementing physical fitness programs as well as other preventive health programs described in FPM chapter 792.

3. Therefore, FPM chapter 792 is updated with the following language:

a. Subsection 1-3(c)(5) - Preventive services within the competence of the professional staff to (a) appraise and report work environment health hazards to department management as an aid in preventing and controlling health risks; (b) provide health education to encourage employees to maintain personal health; (c) provide specific disease screening examinations and immunizations, as the department or agency head determines to be necessary; and (d) establish and operate physical fitness programs and facilities designed to promote and maintain employee health.

b. Section 4-3 - To provide health education and encourage personal health maintenance (including physical exercise). There are advantages in being concerned with the whole health of the employee, at least to the extent of advising him/her of preventive measures for his/her off-the-job health as well as on-the-job health and by referring him/her to competent internists and specialists.

c. Section 4-4 - Health Education, counseling and personal health maintenance (including physical exercise). Health education, counseling, and personal health maintenance (including physical exercise) enable management to derive maximum benefit from employee health programs because employees are induced to be health conscious off-the-job as well as on-the-job.

**Inquiries:** Workforce Effectiveness and Development Group  
Employee Health Services Branch (202)632-5558

**Code:** 792, Federal Employees' Health and Counseling Programs

**Distribution:** Basic FPM

OPM FORM 862 6/82

## DEFENSE LOGISTICS AGENCY COMMENTS (CONT'D)

FPM Letter 792-15 (2)

4. OPM supports and encourages physical fitness and other preventive health programs along with those dealing with health protection and disease prevention as essential elements of an Occupational Health Program. The positive impact of good health on maintaining effective performance and productivity has been well established and is increasingly being recognized in all sectors of the economy. As the Nation's largest employer, the Federal Government is concerned with the health of employees for human relations reasons and to avoid or minimize the problems associated with absenteeism, early retirement due to unavoidable disability and the decline in individual performance due to health problems. Because Federal agencies currently are being challenged more than ever to maximize the use of their human resources, I urge you to review the Occupational Health Programs within your organization and to take whatever steps are needed to improve the results achieved through them.

  
Constance Horner  
Director

HEADQUARTERS, ARMY AND AIR FORCE EXCHANGE SERVICE COMMENTS  
Final Report  
Page Number



DEPARTMENTS OF THE ARMY & AIR FORCE  
AAFES Distribution Headquarters  
P.O. Box 660202  
Dallas, Texas 75266-0202



22 AUG 1991

SUBJECT: Draft Report on the Audit of DoD Base Realignment and Closures, Project  
OCG-0031

27 AUG 1991

THRU: Chairman  
Board of Directors  
Army and Air Force Exchange Service  
Room 5F 483 Pentagon  
Washington, D.C. 20330-6520

MENES FREITAG  
Lieutenant General, USA  
Chairman

TO: Inspector General  
Department of Defense  
400 Army Navy Drive  
Arlington, VA 22202-2884

1. AAFES' reply to Project OCG-0031 is as follows.

2. Page 15, last paragraph (\$873,000 should not be charged to the base closure account--March AFB).

Comment: Concur. The numbers are correct. AAFES has already adjusted the DD Form 1391 to show that the additional \$873,000 will be funded by AAFES.

3. Page 16, last paragraph (AAFES could not provide basis or rationale for methods used to estimate space requirements or costs).

Comment: AAFES can now provide the Audit Committee, if requested, the basis or rationale for special use space. Mail space is not determined by formula but by required services frontage, restroom space, and entrance areas. Fast food (food cluster) space is easily verifiable as it comes directly from a computer program based on sales. Mechanical space is based on a fixed percentage of total size (historical data from previous projects).

4. Page 17, first paragraph, continuing from previous page, last sentence (Special use space should be funded through surcharges applied to exchange and commissary items).

Comment: Nonconcur. Unlike the Commissary system, AAFES does not add a surcharge to the merchandise sold in its exchanges but uses a markup schedule which varies depending on the type of the merchandise. Per DoD Directive 1330.9, each exchange service shall set prices to be charged for merchandise and services in accordance with policies and procedures prescribed by each Military Department. The pricing policies of the Military Departments shall encourage maximum pricing commonality among the military exchange services. The AAFES

## HEADQUARTERS, ARMY AND AIR FORCE EXCHANGE SERVICE COMMENTS (CONT'D)

Final Report  
Page Number

SUBJECT: Draft Report on the Audit of DoD Base Realignment  
and Closures, Project OCG-0031

construction funds are a part of the Capital Program derived from AAFES' net earnings, which also provides dividends to the service members through MWR programs. Funding for special use space necessitated by base closure actions must come from BRAC monies.

5. Page 17, second paragraph, last sentence (Supplemental guidance requiring DeCA and AAFES to use their own appropriations for special use space and modernization to allow base closure funds to be used for new construction).

Comment: Nonconcur. Per DoD Directive 1015.6, currently being updated, appropriated funds WILL BE USED for all community facility construction, including that normally funded with NAF, under several circumstances. The applicable one is: "Related to the establishment, activation, or expansion of a military installation or relocation of facilities for convenience of the government."

6. Page 22, last paragraph, continuing on page 23 (Guidance should be developed to explain difference between normal military construction requirements and those because of base realignment. Guidance should encourage conjunctive funding to take precedence and should require DeCA and AAFES to use their appropriations to fund all renovations, special use space, and modernization of their facilities).

Comment: In the normal course of events, AAFES does not receive APF support for facility renovation, modernization, or special use space requirements. Depending on the category, the regulations don't allow it or priorities are such that appropriated funds are not available.

AAFES, as a Nonappropriated Fund Instrumentality, generates earnings, all of which are returned to the soldiers/airmen through MWR contributions and the capitalization program. As a result of closures, the services will, in effect, lose their investment in facilities that were funded from this source. In addition, facilities at installations which gain population will require expansion. Again, the soldiers/airmen lose as additional AAFES earnings will be required to support this expansion. It seems only fair and reasonable that losses resulting from closures, and expansions required at gaining locations, would be returned in an equivalent amount from appropriated funds. To do otherwise unnecessarily burdens the service members and their families.

The base closures are occurring as the result of federal government action. DoD Directive 1015.6, "Funding of MWR Programs," states that "Appropriated funding may be used for all community facility construction related to the establishment, activation, or expansion of a military installation or relocation of facilities

8

Deleted

HEADQUARTERS, ARMY AND AIR FORCE EXCHANGE SERVICE COMMENTS  
(CONT'D)


Final Report  
Page Number

SUBJECT: Draft Report on the Audit of DoD Base Realignment  
and Closures, Project OCG-0031

for convenience of the government." This is being rewritten to provide additional emphasis on the use of APF; it now reads that "appropriated funds WILL be used. . ." While this does not specifically address closures, the logic remains sound.

Additionally, Congress realized that this was a special circumstance and created a "Base Closure Account" to distribute funds realized from the overall account to ensure that funds from NAF sources are replaced to the extent possible.

As DoD directives and Congress indicate, appropriated funds should be used to offset base closure costs, and the DoDIG should not be proposing the opposite.

  
JEFFERY D. KAHLA  
Major General, USAF  
Commander



# U.S. ARMY MILITARY DISTRICT OF WASHINGTON COMMENTS

Final Report  
Page Number



DEPARTMENT OF THE ARMY  
HEADQUARTERS, U.S. ARMY MILITARY DISTRICT OF WASHINGTON  
FORT LESLIE A. DUNHAM  
WASHINGTON, DC 20315-0000



REPLY TO  
ATTENTION OF

ANIR (36-2b)

13 SEP 91

MEMORANDUM FOR IG, DOD, 400 Army Navy Drive, ATTN: Ms. Sauls,  
Arlington, VA 22202

SUBJECT: Draft Audit Report on DOD Base Realignment and Closures  
(Project No. OCG-0031)

1. Reference DODIG memo, 27 June 1991, SAB.
2. Nonconcur with the recommendation 2c, page 39 of subject report, to withdraw funds from MDW. Funds associated with the cancelled projects were not formally obligated. These funds were merely estimates of costs to do projects if approved.
3. The audit report identifies five projects with an estimated total cost of \$561,500 for cancellation.
  - a. Projects numbered JF00003-6J (est \$500,000), refrigeration replacement and J200002-5J (est \$3,500), work on test tank, were cancelled. No funds were obligated to these projects.
  - b. Project number JH00015-6J (est \$40,000), replace overhead insulation, was underway when terminated. The unobligated funds have been held in abeyance pending final, legal action.
  - c. Project number JF00008-8J (est \$15,000), install chain link fence -- commissary, was cancelled. No funds were obligated to this project.
  - d. Project number JS00007-9J (est \$3,000), install exhaust -- service station, was cancelled. No funds were obligated to this project.
4. Generally, the information concerning Cameron Station is correct, however, the statement on page 34, Equipment upgrade, should say "A refrigeration replacement project costing about \$500,000 was scheduled for the commissary, however, it was not approved nor were funds obligated or otherwise set aside for it."

Deleted

20

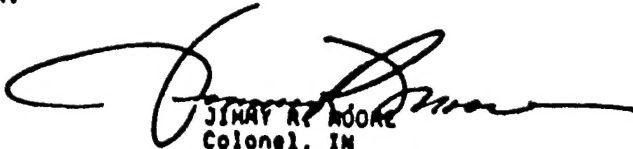
## U.S. ARMY MILITARY DISTRICT OF WASHINGTON COMMENTS (CONT'D)

AMIR

SUBJECT: Draft Audit Report on DOD Base Realignment and Closures  
(Project No. OCG-0031)

9. POC is Mr. Byron Tetsch, telephone (202) 475-2057.

FOR THE COMMANDER:



JIMMY R. MOORE  
Colonel, IN  
Deputy Commander, MDW-I



AUDIT TEAM MEMBERS

David K. Steensma, Director, Contract Management Directorate  
Paul J. Granetto, Deputy Director  
Wayne K. Million, Program Director  
Barbara A. Sauls, Project Manager  
Carolyn R. Milbourne, Team Leader  
Fred Bell, Team Leader  
Galfrid S. Orr, Auditor  
Sean P. Eyn, Auditor  
Mable P. Randolph, Editor

## INTERNET DOCUMENT INFORMATION FORM

**A . Report Title:** DOD Base Realignment and Closures

**B. DATE Report Downloaded From the Internet:** 06/12/99

**C. Report's Point of Contact: (Name, Organization, Address, Office Symbol, & Ph #):** OAIG-AUD (ATTN: AFTS Audit Suggestions)  
Inspector General, Department of Defense  
400 Army Navy Drive (Room 801)  
Arlington, VA 22202-2884

**D. Currently Applicable Classification Level:** Unclassified

**E. Distribution Statement A:** Approved for Public Release

**F. The foregoing information was compiled and provided by:**  
**DTIC-OCA, Initials:** \_\_VM\_\_ **Preparation Date** 06/12/99

The foregoing information should exactly correspond to the Title, Report Number, and the Date on the accompanying report document. If there are mismatches, or other questions, contact the above OCA Representative for resolution.